

**CITY OF WILLIAMSTOWN, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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City of Williamstown, Kentucky

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky (City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the City, as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky  
May 13, 2026

City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2025

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,631,252	\$ 3,756,382	\$ 5,387,634
Receivables	428,475	1,435,301	1,863,776
Due from other funds	-	324,199	324,199
Restricted cash	524,196	310,285	834,481
Capital assets, net of depreciation	4,271,118	33,802,968	38,074,086
Net OPEB asset	-	94,704	94,704
<b>Total assets</b>	<b>6,855,041</b>	<b>39,723,839</b>	<b>46,578,880</b>
<b>Deferred outflows</b>			
Related to pensions	451,826	579,778	1,031,604
Related to OPEB	146,631	201,968	348,599
<b>Total deferred outflows</b>	<b>598,457</b>	<b>781,746</b>	<b>1,380,203</b>
<b>Liabilities</b>			
Accounts payable	160,902	242,241	403,143
Payroll related liabilities	108,068	139,449	247,517
Customer deposits	-	121,249	121,249
Other current liabilities	116,673	123,253	239,926
Due to other funds	227,273	37,534	264,807
Accrued interest payable	-	32,605	32,605
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	68,891	1,237,100	1,305,991
Due in more than one year:			
Compensated absences	158,062	330,087	488,149
Bonds and notes payable	560,108	14,463,199	15,023,307
Net pension liability	2,364,148	3,313,498	5,677,646
Net OPEB liability	40,380	-	40,380
<b>Total liabilities</b>	<b>3,804,505</b>	<b>20,040,215</b>	<b>23,844,720</b>
<b>Deferred inflows</b>			
Related to pensions	608,556	501,393	1,109,949
Related to OPEB	731,895	965,779	1,697,674
<b>Total deferred inflows of resources</b>	<b>1,340,451</b>	<b>1,467,172</b>	<b>2,807,623</b>
<b>Net position</b>			
Net investment in capital assets	(628,999)	(15,605,595)	(16,234,594)
Restricted	524,196	33,802,968	34,327,164
Unrestricted	2,413,345	800,825	3,214,170
<b>Total net position</b>	<b>\$ 2,308,542</b>	<b>\$ 18,998,198</b>	<b>\$ 21,306,740</b>

City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2025

	Expenses	Program Revenues		Net Revenue (Expense)	
		Charges for Services	Grants and Contributions		
		Operating	Capital		
<b>Governmental activities</b>					
General government	\$ 1,124,377	\$ 669,311	\$ 261,710	\$ 2,040	\$ (191,316)
TIF district	-	-	-	-	-
Police	800,396	-	-	-	(800,396)
Fire	538,253	-	-	-	(538,253)
Public works	905,316	-	-	-	(905,316)
Cemetery	-	-	-	-	-
Recreation	6,691	-	-	-	(6,691)
Sanitation	284,813	-	-	-	(284,813)
Pension and OPEB Changes	-	-	-	-	-
Interest expense	26,686	-	-	-	(26,686)
Depreciation - unallocated	78,607	-	-	-	(78,607)
<b>Total governmental activities</b>	<b>3,765,139</b>	<b>669,311</b>	<b>261,710</b>	<b>2,040.00</b>	<b>(2,832,078)</b>
<b>Business-type activities</b>					
Utility	8,600,236	9,177,708	-	-	577,472
Sewer	1,542,830	2,118,009	-	-	575,179
Pension and OPEB Changes	(484,492)	-	-	-	484,492
<b>Total business-type activities</b>	<b>9,658,574</b>	<b>11,295,717</b>	<b>-</b>	<b>-</b>	<b>1,637,143</b>
<b>Total primary government</b>	<b>\$ 13,423,713</b>	<b>\$ 11,965,028</b>	<b>\$ 261,710</b>	<b>\$ 2,040</b>	<b>(1,194,935)</b>
			Governmental Activities	Business-Type Activities	Total
<b>Net revenue (expense)</b>			(2,832,078)	1,637,143	(1,194,935)
<b>General revenues</b>					
Property and other taxes			1,585,699	-	1,585,699
Payroll taxes			996,684	-	996,684
Insurance premium tax			564,927	-	564,927
Motor vehicle tax			160,703	-	160,703
Licenses and fees			444,886	-	444,886
TIF district			222,041	-	222,041
Other revenue			336,163	-	336,163
Investment income			6,771	12,656	19,427
Transfers			55,879	(55,879)	-
<b>Total general revenues</b>			<b>4,373,753</b>	<b>(43,223)</b>	<b>3,333,846</b>
Change in net position			1,541,675	1,593,920	2,138,911
Net position - beginning as restated			766,867	17,404,278	18,171,145
<b>Net position - ending</b>			<b>\$ 2,308,542</b>	<b>\$ 18,998,198</b>	<b>\$ 20,310,056</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Balance Sheet – Governmental Funds  
 June 30, 2025

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	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,631,252
Receivables	428,475
Restricted cash	524,196
Due from other funds	0
<b>Total assets</b>	<b>\$ 2,583,923</b>
<b>Liabilities</b>	
Accounts payable	\$ 160,902
Payroll liabilities	108,068
Other liabilities	116,673
Due to other funds	227,273
<b>Total liabilities</b>	<b>612,916</b>
<b>Fund balances</b>	
Restricted	524,196
Unassigned	1,446,811
<b>Total fund balances</b>	<b>1,971,007</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,583,923</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of the Balance Sheet – Governmental Funds  
 to the Statement of Net Position  
 June 30, 2025

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Total governmental fund balances \$ 1,971,007

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,271,118

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	451,826	
Deferred outflows - OPEB related	146,631	
Deferred inflows - pension related	(608,556)	
Deferred inflows - OPEB related	(731,895)	
Total deferred outflows and inflows		(741,994)

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

Compensated absences	(158,062)	
Long-term debt	(628,999)	
Net pension liability	(2,364,148)	
Net OPEB liability	(40,380)	
Total long-term liabilities		(3,191,589)

Net position of governmental activities	\$ 2,308,542
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See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
Year Ended June 30, 2025

	General Fund
<b>Revenues</b>	
Property taxes	\$ 1,585,699
Insurance premium taxes	564,927
Payroll taxes	996,684
Motor vehicle taxes	160,703
Licenses, permits, and fees	444,886
Investment income	6,771
Charges for services	669,311
Intergovernmental	261,710
Grants and contributions	2,040
TIF Revenue	222,041
Other revenue	336,163
<b>Total revenues</b>	<b>5,250,935</b>
<b>Expenditures</b>	
Current	
General government	1,085,996
TIF	0
Public safety - police	962,781
Public safety - fire	568,599
Public works	820,300
Sanitation	284,813
Recreation	3,356
Debt service	95,290
Capital outlay	221,042
<b>Total expenditures</b>	<b>4,042,177</b>
<b>Deficiency of revenues over expenditures</b>	<b>1,208,758</b>
<b>Other financing sources</b>	
Transfers in (payment in lieu of taxes)	55,879
<b>Total other financing sources</b>	<b>55,879</b>
<b>Net change in fund balances</b>	<b>1,264,637</b>
<b>Fund balances - beginning</b>	<b>706,370</b>
<b>Fund balances - ending</b>	<b>\$ 1,971,007</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
 Balances – Governmental Funds to the Statement of Activities  
 June 30, 2025

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Net change in fund balances - total governmental funds \$ 1,264,637

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	196,057	
Depreciation expense	(347,894)	
Total capital asset activities		(151,837)

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		68,604
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Some expenses in the statement of activities do not require the use of current  
 financial resources and, therefore, are not reported as expenditures in the funds.

Changes in pension liabilities and related deferred outflows and inflows	206,411	
Changes in OPEB liabilities and related deferred outflows and inflows	142,702	
Changes in compensated absences	11,158	
		360,271

Change in net position of governmental activities		\$ 1,541,675
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See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
June 30, 2025

	Utility Fund	Sewer Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,355,361	\$ 401,021	\$ 3,756,382
Customer receivables	1,156,838	278,463	1,435,301
Due from other funds	-	324,199	324,199
Restricted cash	-	310,285	310,285
Capital assets, net of depreciation	21,236,839	12,566,129	33,802,968
Net OPEB asset	72,566	22,138	94,704
<b>Total assets</b>	<b>25,821,604</b>	<b>13,902,235</b>	<b>39,723,839</b>
<b>Deferred outflows</b>			
Related to pensions	445,983	133,795	579,778
Related to OPEB	154,756	47,212	201,968
<b>Total deferred outflows</b>	<b>600,739</b>	<b>181,007</b>	<b>781,746</b>
<b>Liabilities</b>			
Accounts payable	222,218	20,023	242,241
Accrued payroll liabilities	119,137	20,312	139,449
Customer deposits	121,249	-	121,249
Other liabilities	113,203	10,050	123,253
Due to other funds	37,534	-	37,534
Accrued interest payable	25,380	7,225	32,605
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	456,005	781,095	1,237,100
Due in more than one year:			
Compensated absences	275,833	54,254	330,087
Bonds and notes payable	8,756,370	5,706,829	14,463,199
Net pension liability	2,548,845	764,653	3,313,498
<b>Total liabilities</b>	<b>12,675,774</b>	<b>7,364,441</b>	<b>20,040,215</b>
<b>Deferred inflows</b>			
Related to pensions	385,686	115,707	501,393
Related to OPEB	740,012	225,767	965,779
<b>Total deferred inflows</b>	<b>1,125,698</b>	<b>341,474</b>	<b>1,467,172</b>
<b>Net position</b>			
Net investment in capital assets	12,024,464	6,078,205	18,102,669
Restricted	-	310,285	310,285
Unrestricted	596,407	(11,163)	585,244
<b>Total net position</b>	<b>\$ 12,620,871</b>	<b>\$ 6,377,327</b>	<b>\$ 18,998,198</b>

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
June 30, 2025

	Utility Fund				Sewer Fund	
	Electric System	Water System	Cable TV and Internet	Total	Total	Total
<b>Operating revenues</b>						
Charges for services	\$ 4,262,420	\$ 2,587,894	\$ 1,793,476	\$ 8,643,790	\$ 2,118,009	\$ 10,761,799
Other revenue	533,918			533,918		533,918
<b>Total operating revenues</b>	<b>4,796,338</b>	<b>2,587,894</b>	<b>1,793,476</b>	<b>9,177,708</b>	<b>2,118,009</b>	<b>11,295,717</b>
<b>Operating expenses</b>						
<i>Employee costs</i>						0
Salaries and wages	369,103	698,284	398,239	1,465,626	339,314	1,804,940
Employee retirement	58,635	115,800	70,351	244,786	56,096	300,882
Medical insurance	54,405	124,455	116,726	295,586	88,418	384,004
Employers FICA	26,954	50,889	29,249	107,092	26,833	133,925
Workers compensation	3,524	10,234	4,198	17,956	5,015	22,971
Unemployment insurance	1,293	2,356	1,476	5,125	1,348	6,473
Total employee costs	513,914	1,002,018	620,239	2,136,171	517,024	2,653,195
<i>Purchases</i>	2,428,187			2,428,187		2,428,187
<i>Operating expenses</i>				-		0
Professional fees	3,000	3,000	3,000	9,000	3,000	12,000
Education and training	1,430	4,362	626	6,418	1,728	8,146
Repairs and maintenance	7,431	234,506	41,839	283,776	111,005	394,781
Utilities	60,174	203,694	81,698	345,566	250,775	596,341
Communications and postage	11,086	9,148	10,737	30,971	9,477	40,448
Lab tests	-	22,717	-	22,717	25,796	48,513
Contractual services	57,886	16,990	32,933	107,809	82,156	189,965
Distribution	-	104,544	-	104,544	-	104,544
Royalties and internet	-	-	589,325	589,325	-	589,325
Chemicals				-	17,295	17,295
Materials and parts	183,053	176,503	270,985	630,541	0	630,541
Uniforms and laundry	1,621	1,580	849	4,050	1,417	5,467
Vehicle	12,455	15,881	11,546	39,882	16,051	55,933
Supplies	10,466	-	7,579	18,045	4,845	22,890
Dues and subscriptions	15	3,658	139	3,812	-	3,812
Insurance	19,030	57,112	20,237	96,379	44,395	140,774
Safety	5,857	-	-	5,857	-	5,857
Miscellaneous	69,984	6,211	4,922	81,117	5,152	86,269
<b>Total</b>	<b>443,488</b>	<b>859,906</b>	<b>1,076,415</b>	<b>2,379,809</b>	<b>573,092</b>	<b>2,952,901</b>

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund - Continued  
June 30, 2025

	Utility Fund			Total	Sewer Fund Total	Total
	Electric System	Water System	Cable TV and Internet			
Total operating expenses	3,385,589	1,861,924	1,696,654	6,944,167	1,090,116	8,034,283
Operating profit before depreciati	1,410,749	725,970	96,822	2,233,541	1,027,893	3,261,434
Depreciation	208,095	598,354	212,377	1,018,826	384,905	1,403,731
Operating profit	<u>\$ 1,202,654</u>	<u>\$ 127,616</u>	<u>\$ (115,555)</u>	1,214,715	642,988	1,857,703
Non-operating revenues and (expenses):						
Interest Income				10,943	1,713	12,656
Pension and OPEB change				554,173	(69,681)	484,492
Interest expense				(637,243)	(67,809)	(705,052)
Transfers in (out)				(104,665)	48,786	(55,879)
Total non-operating revenues and (expenses):				<u>(176,792)</u>	<u>(86,991)</u>	<u>(263,783)</u>
Change in net position				1,037,923	555,997	1,593,920
Net position - beginning as restated				11,582,948	5,821,330	17,404,278
Net position - ending				<u>\$ 12,620,871</u>	<u>\$ 6,377,327</u>	<u>\$ 18,998,198</u>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Cash Flows - Proprietary Fund  
June 30, 2025

Cash flows from operating activities	
Change in net assets	\$ 1,593,920
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,403,431
Decrease in current and other assets	1,430,602
Decrease in current and other liabilities	(267,781)
Decrease in net pension liability	(484,685)
Increase in net OPEB asset	(12,984)
Decrease in deferred outflows	353,278
Decrease in deferred inflows	(340,101)
<u>Net cash provided by operating activities</u>	<u>3,675,680</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(186,432)
	198,266
Principal payments on long term obligations	(1,353,625)
<u>Net cash used by capital financing activities</u>	<u>(1,341,791)</u>
Net increase in cash	2,333,889
<u>Cash - beginning</u>	<u>1,422,493</u>
<u>Cash - ending</u>	<u>\$ 3,756,382</u>

See accompanying notes to financial statements.

**NOTE 1: ACCOUNTING POLICIES**

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

***Reporting Entity***

The City operates under a City Council government comprised of the Mayor and six council members. The City's major operations include public safety, street maintenance, and general administrative services. In addition, the City operates a water, electric, cable, and sewer system and provides solid waste collection. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

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

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

***Fund Accounting***

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

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

**Proprietary Fund Types**

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

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

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

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government –wide financial

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

statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

***Cash and Cash Equivalents***

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

***Capital Assets***

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

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

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

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

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

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

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

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

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

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

***Net Pension Liability***

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

***Net OPEB Liability***

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

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

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

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

***Net Position***

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

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

restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

***Fund Balances***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

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

***Revenues***

**Exchange Transactions**

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

**Nonexchange transactions**

Transactions in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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

***Interfund Balances***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

***Budgetary Process***

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

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

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

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

***Subsequent Events***

The City evaluated subsequent events for potential recognition and disclosure through May 13, 2026 the date the financial statements were available to be issued.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The City maintains the following governmental activity cash accounts:

	<u>Unrestricted</u>	<u>Restricted</u>
General fund	\$ 109,835	\$
Payroll tax	1,073,352	
LGEA	1,652	
Municipal road aid		322,493
Payroll	55,687	
Cemetery perpetual		131,779
Cemetery		69,924
Disbursing	108,245	
Shop with a cop	33,023	
Narcotics forfeiture	6,831	
Festival	17,673	
TIF	(147)	
Eibeck Lane TIF	19,233	
Ark TIF	205,868	
	<u>\$ 1,631,252</u>	<u>\$ 524,196</u>

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

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unrestricted</u>	<u>Restricted</u>
Utility operation	\$ 119,910	\$	Sewer operation	\$ 184,920	\$
Utility revenue	(92,558)		Sewer depreciation	203,879	
Utility depreciation	490,205		Sewer bond		310,285
Cable operation	288,851		Payroll	12,222	
Cable depreciation	87,403		Sewer revenue	-	
Lake expansion	388,766				
Payroll	83,021				
Electric depreciation	1,382,179				
F13-03	243,426				
F11-02	75,890				
Metering system	288,268				
Total utility fund	<u>\$ 3,355,361</u>	<u>\$ -</u>	Total sewer fund	<u>\$ 401,021</u>	<u>\$ 310,285</u>

**Concentrations of Credit Risk**

At June 30, 2025, the carrying value of the City’s deposits exceed the Federal Deposit Insurance Corporation (FDIC) insurance. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City by the holding bank.

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

**Custodial Credit Risk**

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

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2025 is summarized below:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
<b>Governmental Activities</b>				
Land	\$ 537,390	\$ -	\$ -	\$ 537,390
Street improvements	2,649,865	-	-	2,649,865
Buildings and improvements	2,404,834	25,000	-	2,429,834
Infrastructure	1,123,041	109,445	-	1,232,486
Furniture and fixtures	44,287	-	-	44,287
General equipment	2,283,491	185,882	-	2,469,373
Total capital assets	<u>9,042,908</u>	<u>320,327</u>	<u>-</u>	<u>9,363,235</u>
Less accumulated depreciation	<u>4,744,223</u>	<u>347,894</u>	<u>-</u>	<u>5,092,117</u>
Net governmental capital assets	<u>\$ 4,298,685</u>	<u>\$ (27,567)</u>	<u>\$ -</u>	<u>\$ 4,271,118</u>
<b>Business-Type Activities</b>				
Water system	\$ 36,343,947	\$ -	\$ -	\$ 36,343,947
Electric system	6,390,764	9,308	-	6,400,072
Cable TV system	4,969,851	177,124	-	5,146,975
Sewer system	25,451,882	-	-	25,451,882
Total capital assets	<u>73,156,444</u>	<u>186,432</u>	<u>-</u>	<u>73,342,876</u>
Less accumulated depreciation				
Water system	17,036,312	598,054	-	17,634,366
Electric system	4,819,279	208,095	-	5,027,374
Cable TV system	3,780,038	212,377	-	3,992,415
Sewer system	12,500,848	384,905	-	12,885,753
Total accumulated depreciation	<u>38,136,477</u>	<u>1,403,431</u>	<u>-</u>	<u>39,539,908</u>
Net business-type capital assets	<u>\$ 35,019,967</u>	<u>\$ (1,216,999)</u>	<u>\$ -</u>	<u>\$ 33,802,968</u>

**NOTE 3: CAPITAL ASSETS- CONTINUED**

Depreciation was charged to following government funds:

Government	\$ 49,276	Water	598,354
Police	51,243	Electric	208,095
Fire	47,950	Cable	212,377
Public works	117,484	Sewer	384,905
Recreation	3,335		
Unallocated	78,606		
	<u>\$ 347,894</u>		<u>\$ 1,403,731</u>

**NOTE 4: RECEIVABLES**

Receivables due the City at year end are as follows:

	<u>Government</u>	<u>Business-type</u>
Payroll tax	\$ 227,343	\$ -
Motor vehicle tax	12,057	-
KLEFPF	2,600	-
Safety assessment fee	45,742	-
Insurance premium tax	140,733	-
Customer accounts	-	<u>1,435,301</u>
Total governmental receivables	<u>\$ 428,475</u>	<u>\$ 1,435,301</u>

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

**NOTE 5: LONG-TERM OBLIGATIONS**

Changes in long-term obligations are as follows:

	Balance June 30, 2024	Proceeds	Retirements	Balance June 30, 2025	Amount Due Within One Year	Long Term
<b>Governmental Activities</b>						
Forcht Bank Lease	\$ 124,270	\$ -	\$ 26,521	\$ 97,749	\$ 27,808	\$ 69,941
Series 2015 TIF Bond	573,333	-	42,083	531,250	45,000	486,250
<b>Total governmental activities</b>	<b>\$ 697,603</b>	<b>\$ 0</b>	<b>\$ 68,604</b>	<b>\$ 628,999</b>	<b>\$ 72,808</b>	<b>\$ 556,191</b>
<b>Business-Type Activities</b>						
<b>Sewer Fund</b>						
KIA Loan A08-09	\$ 7,223,041	\$ -	\$ 770,912	\$ 6,452,129	\$ 770,912	\$ 5,681,217
Forcht Bank Note	45,507	-	9,712	35,795	10,183	25,612
<b>Total sewer fund</b>	<b>7,268,548</b>	<b>-</b>	<b>780,624</b>	<b>6,487,924</b>	<b>781,095</b>	<b>5,706,829</b>
KIA Loan F11-02	893,703	-	91,581	802,122	93,421	708,701
KIA Loan F13-013	4,303,029	-	273,772	4,029,257	278,584	3,750,673
KLC Waterline Replaceme	22,490	-	22,490	-	-	-
Truist MGPI Loan	58,990	-	58,990	-	-	-
Rural Development	4,462,500	-	81,500	4,381,000	84,000	4,297,000
<b>Total utility fund</b>	<b>9,740,712</b>	<b>-</b>	<b>528,333</b>	<b>9,212,379</b>	<b>456,005</b>	<b>8,756,374</b>
<b>Total business-type activities</b>	<b>\$ 17,009,260</b>	<b>\$ 0</b>	<b>\$ 1,308,957</b>	<b>\$ 15,700,303</b>	<b>\$ 1,237,100</b>	<b>\$ 14,463,203</b>
<b>Business-Type Activities</b>						
<b>Sewer Fund</b>						
KIA Loan A08-09	\$ 7,223,041	\$ -	\$ 770,912	\$ 6,452,129	\$ 770,912	\$ 5,681,217
Forcht Bank Note	45,507	-	9,712	35,795	10,183	25,612
<b>Total sewer fund</b>	<b>7,268,548</b>	<b>-</b>	<b>780,624</b>	<b>6,487,924</b>	<b>781,095</b>	<b>5,706,829</b>
KIA Loan F11-02	893,703	-	91,581	802,122	93,421	708,701
KIA Loan F13-013	4,303,029	-	273,772	4,029,257	278,584	3,750,673
KLC Waterline Replacemen	22,490	-	22,490	-	-	-
Truist MGPI Loan	58,990	-	58,990	-	-	-
Rural Development	4,462,500	-	81,500	4,381,000	84,000	4,297,000
<b>Total utility fund</b>	<b>9,740,712</b>	<b>-</b>	<b>528,333</b>	<b>9,212,379</b>	<b>456,005</b>	<b>8,756,374</b>
<b>Total business-type activities</b>	<b>\$ 17,009,260</b>	<b>\$ 0</b>	<b>\$ 1,308,957</b>	<b>\$ 15,700,303</b>	<b>\$ 1,237,100</b>	<b>\$ 14,463,203</b>

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

The minimum obligations of the City at June 30, 2025 for debt service (principal and interest) are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 72,809	\$ 21,749	\$ 1,244,829	\$ 288,393	\$ 1,317,638	\$ 310,142
2027	74,158	19,049	1,262,905	269,598	1,337,063	288,647
2028	77,657	16,260	1,280,705	249,465	1,358,362	265,725
2029	60,208	13,610	1,291,235	229,113	1,351,443	242,723
2030	50,000	11,923	1,305,694	208,835	1,355,694	220,758
2031-2035	276,667	32,546	4,896,015	747,852	5,172,682	780,398
2036-2040	17,500	656	1,629,920	455,384	1,647,420	456,040
2041-2045	-	-	725,000	332,350	725,000	332,350
2046-2050	-	-	850,500	229,835	850,500	229,835
2051-2055	-	-	998,000	109,590	998,000	109,590
2056-2060			215,500	5,710		
	<u>\$ 628,999</u>	<u>\$ 115,793</u>	<u>\$ 15,700,303</u>	<u>\$ 3,120,415</u>	<u>\$ 16,113,802</u>	<u>\$ 3,236,208</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, 2025, accrued compensated absences are \$488,149.

**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.

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

**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.

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

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

**Contributions**

*Employees* - For the year ended June 30, 2025 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%.

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

*Employers* - For the year ended June 30, 2025 participating employers contributed 19.71% of wages for non-hazardous covered employees and 38.61% of wages for hazardous covered employees. The City made all required contributions for fiscal year.

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

At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	\$ 4,248,074
Hazardous	1,429,572
<u>Total proportionate share of the net pension liability</u>	<u>\$ 5,677,646</u>

The net pension liability was measured as of June 30, 2024 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 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers, actuarially determined. The City’s proportionate share at June 30, 2024 was:

Nonhazardous	0.0749%
Hazardous	0.0648%

For the year ended June 30, 2025, the City recognized pension expense of \$565,721. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Nonhazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 205,615	\$ -	
Change of assumptions	-	191,930	
Change in investment experience	-	273,128	
Change in proportionate share of contributions	127,726	177,752	
Total deferred resources	333,341	\$ 642,810	\$ (309,469)
Subsequent contributions	409,964		
Total	<u>\$ 743,305</u>		

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

<b>Hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 92,890	\$ -	
Change of assumptions	-	80,682	
Change in investment experience	-	76,300	
Change in proportionate share of contributions	17,884	310,156	
Total deferred resources	110,774	\$ 467,138	\$ (356,364)
Subsequent contributions	177,526		
Total	\$ 288,300		

<b>Total nonhazardous and hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 298,505	\$ -	
Change of assumptions	-	272,612	
Change in investment experience	-	349,428	
Change in proportionate share of contributions	145,610	487,908	
Total deferred resources	444,115	\$ 1,109,948	\$ (665,833)
Subsequent contributions	587,490		
Total	\$ 1,031,605		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The net deferral will be recognized as pension expense as follows:

Year Ending June 30	Net Deferral
2026	\$ (296,136)
2027	(90,072)
2028	(197,543)
2029	(82,482)
Total net deferral	\$ (666,233)

**Actuarial assumptions**

The total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date of June 30, 2024. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2025, using generally accepted actuarial principles.

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

The actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

**Long-term expected rate of return**

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

**Discount rate**

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

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

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

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, 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 5.50%	Current Rate 6.50%	1% Increase 7.50%
Nonhazardous	\$ 5,476,462	\$ 4,248,074	\$ 3,228,836
Hazardous	1,840,425	1,429,572	1,094,133
<b>Total proportionate share of the net pension liability</b>	<b>\$ 7,316,887</b>	<b>\$ 5,677,646</b>	<b>\$ 4,322,969</b>

**Pension plan fiduciary net position**

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

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

**Plan description**

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

**Benefits provided**

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

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

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

**Contributions**

For the year ending June 30, 2025, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% 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, 2025, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous	\$ (122,994)
Hazardous	67,439
<u>Total proportionate share of the net pension liability</u>	<u>\$ (55,555)</u>

The net OPEB liability was measured as of June 30, 2025, 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, 2024 was as follows:

Nonhazardous	0.0711%
Hazardous	0.0556%

For the year ended June 30, 2025, the City recognized OPEB expense of \$331,272. At June 30, 2025 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	\$ 68,236	\$ 967,721	
Change of assumptions	111,447	86,785	
Change in investment experience	-	112,239	
Change in proportionate share of contributions	82,614	87,514	
Total deferred resources	262,297	<u>\$ 1,254,259</u>	<u>\$ (991,962)</u>
Subsequent contributions	-		
Total	<u>\$ 262,297</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	\$ 86,498	\$ 1,214,565	
Change of assumptions	157,191	146,136	
Change in investment experience	-	154,617	
Change in proportionate share of contributions	<u>97,221</u>	<u>194,899</u>	
Total deferred resources	340,910	<u>\$ 1,710,217</u>	<u>\$ (1,369,307)</u>
Subsequent contributions	<u>10,313</u>		
Total	<u>\$ 351,223</u>		
<b>Hazardous</b>	Deferred <u>Outflow</u>	Deferred <u>Inflow</u>	Net <u>Deferral</u>
Change in liability experience	\$ 18,262	\$ 246,844	
Change of assumptions	45,744	59,351	
Change in investment experience	-	42,378	
Change in proportionate share of contributions	<u>14,607</u>	<u>107,385</u>	
Total deferred resources	78,613	<u>\$ 455,958</u>	<u>\$ (377,345)</u>
Subsequent contributions	<u>10,313</u>		
Total	<u>\$ 88,926</u>		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The net deferral will be recognized in OPEB expense as follows:

Year Ending <u>June 30</u>	Net <u>Deferral</u>
2026	\$ (494,981)
2027	(399,230)
2028	(372,463)
2029	(98,025)
2030	<u>(4,608)</u>
Total net deferral	<u>\$ (1,369,307)</u>

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

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2025 were based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2025, using generally accepted accounting principles.

The actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Actuarial valuation date	June 30, 2023
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

**Long-term expected rate of return**

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

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

**Discount rate**

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

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

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

	1% Decrease	Current Rate	1% Increase
Nonhazardous	4.99%	5.99%	6.99%
Hazardous	4.97%	5.97%	6.97%
Nonhazardous	\$ 166,302	\$ (122,994)	\$ (366,235)
Hazardous	186,371	67,439	(31,951)
<b>Total proportionate share of the net pension liability</b>	<b>\$ 352,673</b>	<b>\$ (55,555)</b>	<b>\$ (398,186)</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	\$ (295,909)	\$ (122,994)	\$ 78,439
Hazardous	(10,454)	67,439	158,480
<b>Total proportionate share of the net pension liability</b>	<b>\$ (306,363)</b>	<b>\$ (55,555)</b>	<b>\$ 236,919</b>

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, 2025, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 10: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES**

	6/30/2024			6/30/2024
	Net Position / Fund Balance As Previously Reported	Change in Accounting Principle	Change to or Within the Reporting Entity	Error Correction
				Net Position / Fund Balance As Adjusted / Corrected
<b>Government-wide</b>				
Government activities	\$ 915,090	\$ (129,010)	\$ -	\$ (19,213)
Business-type activities	16,474,883	(250,486)		1,179,881
<b>Total primary government</b>	<b>\$ 17,389,973</b>	<b>\$ (379,496)</b>	<b>\$ -</b>	<b>\$ 1,160,668</b>
<b>Government funds</b>				
General fund	\$ 725,583	\$ -	\$ -	\$ (19,213)
<b>Total government funds</b>	<b>\$ 725,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (19,213)</b>
<b>Proprietary funds</b>				
Utility fund	\$ 10,986,789	\$ (208,886)	\$ -	\$ 805,045
Sewer fund	5,488,094	(41,600)		374,836
<b>Total proprietary funds</b>	<b>\$ 16,474,883</b>	<b>\$ (250,486)</b>	<b>\$ -</b>	<b>\$ 1,179,881</b>

**NOTE 11: CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2025, the District implemented Government Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and GASB Statement No. 101, Compensated Absences.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of GASB 100 did not have any effect on beginning net position/ fund.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The implementation of GASB 101 resulted in recognizing additional compensated absence liabilities of \$379,496.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Williamstown, Kentucky  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Property taxes	\$ 1,604,700	\$ 1,604,700	\$ 1,746,402	\$ 141,702
Insurance premium taxes	425,000	425,000	564,927	139,927
Payroll taxes	600,000	600,000	996,684	396,684
Licenses, permits, and fees	492,000	492,000	444,886	(47,114)
Investment income			6,771	6,771
Charges for services	604,200	604,200	669,311	65,111
Intergovernmental	110,600	110,600	261,710	151,110
Grants and contributions	-	-	2,040	2,040
TIF Revenue	-	-	222,041	222,041
Other revenue	526,231	526,231	336,163	(190,068)
Transfers in	-	-	55,879	55,879
<b>Total revenues</b>	<b>4,362,731</b>	<b>4,362,731</b>	<b>5,306,814</b>	<b>944,083</b>
<b>Expenditures</b>				
General government	1,270,000	1,270,000	1,085,996	184,004
TIF	-	-	-	-
Public safety - police	910,400	910,400	962,781	(52,381)
Public safety - fire	825,600	825,600	568,599	257,001
Public works	842,500	842,500	820,300	22,200
Sanitation	289,200	289,200	284,813	4,387
Recreation	18,500	18,500	3,356	15,144
Debt service	-	-	95,290	(95,290)
Capital outlay	1,000,027	1,000,027	221,042	778,985
<b>Total expenditures</b>	<b>5,156,227</b>	<b>5,156,227</b>	<b>4,042,177</b>	<b>1,114,050</b>
Net change in fund balances	(793,496)	(793,496)	1,264,637	
Fund balances - beginning	706,370	706,370	706,370	
<b>Fund balances - ending</b>	<b>\$ (87,126)</b>	<b>\$ (87,126)</b>	<b>\$ 1,971,007</b>	

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net Pension Liability  
 and Contributions - Nonhazardous  
 Year Ended June 30, 2025

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

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0710%	\$ 4,248,074	\$ 2,165,660	196.16%	61.61%
2024	2023	0.0749%	\$ 4,807,826	\$ 2,009,141	239.30%	57.48%
2023	2022	0.0687%	\$ 4,966,549	\$ 1,855,961	267.60%	52.42%
2022	2021	0.0726%	\$ 4,628,246	\$ 1,783,388	259.52%	55.95%
2021	2020	0.0697%	\$ 5,343,861	\$ 1,711,282	312.27%	47.81%
2020	2019	0.0678%	\$ 4,769,319	\$ 1,625,055	293.49%	50.45%
2019	2018	0.0684%	\$ 4,168,266	\$ 1,696,725	245.67%	53.54%
2018	2017	0.0697%	\$ 4,080,399	\$ 1,634,175	249.69%	53.32%
2017	2016	0.0691%	\$ 3,402,527	\$ 1,728,247	196.88%	55.50%
2016	2015	0.0666%	\$ 2,864,451	\$ 1,551,799	184.59%	59.97%

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

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 409,964	\$ 409,964	\$ -	\$ 2,079,980	19.71%
2024	\$ 505,465	\$ 505,465	\$ -	\$ 2,165,660	23.34%
2023	\$ 470,139	\$ 470,139	\$ -	\$ 2,009,141	23.40%
2022	\$ 392,907	\$ 392,907	\$ -	\$ 1,855,961	21.17%
2021	\$ 344,194	\$ 344,194	\$ -	\$ 1,783,388	19.30%
2020	\$ 330,277	\$ 330,277	\$ -	\$ 1,711,282	19.30%
2019	\$ 263,584	\$ 263,584	\$ -	\$ 1,625,055	16.22%
2018	\$ 245,685	\$ 245,685	\$ -	\$ 1,696,725	14.48%
2017	\$ 227,967	\$ 227,967	\$ -	\$ 1,634,175	13.95%
2016	\$ 214,648	\$ 214,648	\$ -	\$ 1,728,247	12.42%

City of Williamstown, Kentucky  
Schedule of City's Proportionate Share of the Net Pension Liability  
and Contributions - Hazardous  
Year Ended June 30, 2025

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0556%	\$ 1,429,572	\$ 346,925	412.07%	57.05%
2024	2023	0.0649%	\$ 1,748,893	\$ 566,438	308.75%	52.96%
2023	2022	0.0711%	\$ 2,168,213	\$ 510,378	424.82%	52.42%
2022	2021	0.0692%	\$ 1,842,747	\$ 460,772	399.93%	55.95%
2021	2020	0.0738%	\$ 2,223,674	\$ 476,068	467.09%	47.81%
2020	2019	0.0657%	\$ 1,814,524	\$ 413,104	439.24%	50.45%
2019	2018	0.0635%	\$ 1,536,107	\$ 372,472	412.41%	53.54%
2018	2017	0.0614%	\$ 1,373,555	\$ 432,588	317.52%	53.32%
2017	2016	0.0609%	\$ 1,045,084	\$ 387,177	269.92%	55.50%
2016	2015	0.0686%	\$ 1,052,717	\$ 396,397	265.57%	59.97%

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

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 177,526	\$ 177,526	\$ -	\$ 486,506	36.49%
2024	\$ 142,621	\$ 142,621	\$ -	\$ 346,925	41.11%
2023	\$ 242,492	\$ 242,492	\$ -	\$ 566,438	42.81%
2022	\$ 172,814	\$ 172,814	\$ -	\$ 510,378	33.86%
2021	\$ 138,508	\$ 138,508	\$ -	\$ 460,772	30.06%
2020	\$ 143,106	\$ 143,106	\$ -	\$ 476,068	30.06%
2019	\$ 102,697	\$ 102,697	\$ -	\$ 413,104	24.86%
2018	\$ 82,688	\$ 82,688	\$ -	\$ 372,472	22.20%
2017	\$ 96,914	\$ 96,914	\$ -	\$ 432,588	22.40%
2016	\$ 78,442	\$ 78,442	\$ -	\$ 387,177	20.26%

City of Williamstown, Kentucky  
Schedule of City's Proportionate Share of the Net OPEB Liability  
and Contributions - Nonhazardous  
Year Ended June 30, 2025

Year ended June 30	Measurement period June 30	City's proportion of the net OPEB liability (asset)	City's proportionate share of the net OPEB liability (asset)	City's covered payroll	City's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0711%	\$ (122,994)	\$ 2,165,660	-5.68%	104.89%
2024	2023	0.0749%	\$ (103,444)	\$ 2,009,141	-5.15%	104.23%
2023	2022	0.0690%	\$ 1,355,626	\$ 1,855,952	73.04%	52.42%
2022	2021	0.0726%	\$ 1,389,393	\$ 1,783,388	77.91%	55.95%
2021	2020	0.0678%	\$ 1,681,884	\$ 1,711,282	98.28%	47.81%
2020	2019	0.0678%	\$ 1,140,567	\$ 1,625,055	70.19%	50.45%
2019	2018	0.0684%	\$ 1,215,103	\$ 1,696,725	71.61%	53.54%
2018	2017	0.0697%	\$ 1,401,430	\$ 1,634,175	85.76%	53.32%

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

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 2,079,980	0.00%
2024	\$ -	\$ -	\$ -	\$ 2,165,660	0.00%
2023	\$ 68,110	\$ 68,110	\$ -	\$ 2,009,141	3.39%
2022	\$ 107,274	\$ 107,274	\$ -	\$ 1,855,952	5.78%
2021	\$ 84,889	\$ 84,889	\$ -	\$ 1,783,388	4.76%
2020	\$ 81,457	\$ 81,457	\$ -	\$ 1,711,282	4.76%
2019	\$ 85,477	\$ 85,477	\$ -	\$ 1,625,055	5.26%
2018	\$ 79,746	\$ 79,746	\$ -	\$ 1,696,725	4.70%
2017	\$ 77,296	\$ 77,296	\$ -	\$ 1,634,175	4.73%

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net OPEB Liability  
 and Contributions - Nonhazardous  
 Year Ended June 30, 2025

Year ended June 30	Measurement period June 30	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability	City's covered payroll	City's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0556%	\$ 67,439	\$ 346,925	19.44%	93.53%
2024	2023	0.0648%	\$ 88,698	\$ 566,438	15.66%	92.27%
2023	2022	0.0703%	\$ 604,981	\$ 510,372	118.54%	52.42%
2022	2021	0.0699%	\$ 559,685	\$ 460,772	121.47%	55.95%
2021	2020	0.0737%	\$ 681,343	\$ 476,068	143.12%	47.81%
2020	2019	0.0657%	\$ 485,910	\$ 413,104	117.62%	50.45%
2019	2018	0.0635%	\$ 452,872	\$ 372,472	121.59%	53.54%
2018	2017	0.0614%	\$ 507,527	\$ 432,588	117.32%	53.32%

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

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 10,313	\$ 10,313	\$ -	\$ 486,506	2.12%
2024	\$ -	\$ -	\$ -	\$ 346,925	0.00%
2023	\$ 38,404	\$ 38,404	\$ -	\$ 566,438	6.78%
2022	\$ 53,436	\$ 53,436	\$ -	\$ 510,372	10.47%
2021	\$ 43,865	\$ 43,865	\$ -	\$ 460,772	9.52%
2020	\$ 45,321	\$ 45,321	\$ -	\$ 476,068	9.52%
2019	\$ 43,264	\$ 43,264	\$ -	\$ 413,104	10.47%
2018	\$ 34,826	\$ 34,826	\$ -	\$ 372,472	9.35%
2017	\$ 40,447	\$ 40,447	\$ -	\$ 432,588	9.35%



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Williamstown, Kentucky (City) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated May 13, 2026.

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

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's District's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-01 to 2025-05 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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The 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, Kentucky

May 13, 2026

**Finding 2025-01**

**Material Weakness – Bank Reconciliations**

The Company did not maintain effective internal controls over cash due to the failure to prepare and review timely and accurate bank reconciliations for all bank accounts. During our audit procedures, we noted that bank statements were not consistently reconciled to the general ledger, reconciling items were not adequately investigated or resolved, and management review of reconciliations was not documented.

Because cash is a significant account balance and bank reconciliations are a key control over cash activity, the absence of timely reconciliations significantly increases the risk that errors, unauthorized transactions, or fraudulent activity could occur and remain undetected, potentially resulting in material misstatements to the financial statements.

**Recommendation:**

Management should implement procedures to ensure that all bank accounts are reconciled monthly by an individual independent of cash handling responsibilities. Reconciliations should be reviewed and approved by appropriate supervisory personnel, with evidence of review maintained. Any reconciling items should be investigated and resolved promptly.

**Finding 2025-02**

**Material Weakness – Unauthorized Expenses**

The Company did not maintain effective internal controls over disbursements and expenditures to ensure that all expenses were properly authorized, supported, and reviewed prior to payment. During our audit procedures, we noted instances where expenditures were incurred and paid without adequate supporting documentation or evidence of management approval.

The lack of effective authorization controls over expenditures increases the risk that unauthorized, improper, or fraudulent transactions could occur and remain undetected, potentially resulting in material misstatements to the financial statements and misuse of company assets.

**Recommendation:**

Management should establish and enforce formal policies and procedures requiring documented approval for all expenditures prior to payment. Supporting documentation should be maintained for all disbursements, and approval thresholds should be clearly defined based on transaction size and nature. In addition, management should implement periodic reviews of expense activity and strengthen oversight controls to ensure that all expenditures are valid, properly authorized, and accurately recorded.

**Finding 2025-03**

**Material Weakness – Employee Pay Rates**

The Company did not maintain effective internal controls over payroll to ensure that employee pay rates and compensation changes were properly authorized and documented. During our audit procedures, we noted instances where employee pay rates could not be supported by approved personnel records, pay rate authorization forms, or documented management approval.

The absence of formal authorization and review controls over employee compensation increases the risk of unauthorized payroll changes, inaccurate wage payments, payroll fraud, and material misstatements related to payroll expense and related liabilities.

**Recommendation:**

Management should implement formal payroll authorization procedures requiring all employee pay rates, wage adjustments, bonuses, and compensation changes to be approved in writing by authorized personnel prior to processing. Supporting documentation should be maintained in employee personnel files, and payroll changes should be independently reviewed to ensure accuracy, validity, and proper authorization before payroll is processed.

**Finding 2025-04**

**Material Weakness – Employee Timecards**

The Company did not maintain effective internal controls over payroll processing to ensure that employee timecards were properly reviewed and approved by appropriate supervisory personnel prior to payroll processing. During our audit procedures, we noted instances where timecards lacked documented supervisory approval and evidence of review before payroll was processed.

The absence of effective review and approval controls over employee time records increases the risk of inaccurate payroll payments, unauthorized hours being paid, payroll fraud, and material misstatements related to payroll expense and related liabilities.

**Recommendation:**

Management should implement formal procedures requiring all employee timecards to be reviewed and approved by authorized supervisory personnel prior to payroll processing. Evidence of approval should be maintained either electronically or in writing. In addition, payroll personnel should verify that only approved time records are processed, and management should periodically monitor payroll reports and exception items to ensure compliance with established procedures.

**Finding 2025-05**

**Material Weakness – Significant Audit Adjustments**

During the audit, numerous and/or significant adjustments were required to correct the Company's accounting records and present the financial statements in conformity with generally accepted accounting principles. These adjustments were not identified by management as part of the Company's normal financial reporting and closing processes.

The need for significant audit adjustments indicates that the Company's internal controls over financial reporting, account analysis, and period-end closing procedures were not operating effectively to identify and correct material errors in the financial statements. This deficiency increases the risk that material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.

**Recommendation:**

Management should strengthen its internal controls over financial reporting by implementing more comprehensive month-end and year-end closing procedures, including timely account reconciliations, supervisory review processes, and analytical reviews of significant account balances and transactions. In addition, management should ensure that personnel responsible for the preparation and review of the financial statements possess sufficient accounting knowledge and training to properly apply generally accepted accounting principles and identify errors prior to the audit process.