

**CITY OF WILLIAMSTOWN, KENTUCKY**

**JUNE 30, 2007**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT*

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2007 on our consideration of the City of Williamstown, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
October 31, 2007

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

As management of the City of Williamstown, Kentucky (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets decreased \$188,800. Net assets of governmental activities decreased \$53,100, which represents a 1.5 percent decrease from fiscal year 2006. Net assets of the business-type activities, decreased \$135,600 or 1.3 percent from fiscal year 2006.
- Governmental activities general revenues accounted for \$1.6 million in revenue or 87.9 percent of all governmental activity revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$215,200 or 12.1 percent of total revenues.
- The City had \$1.8 million in expenses related to governmental activities; only \$215,200 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and grants and entitlements) of \$1.6 million were adequate to provide for these programs.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

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

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Fund Financial Statements**

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 25 of this report.

**Government-Wide Financial Analysis**

The perspective of the statement of net assets is of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$ 388	\$ 468	\$ 2,357	\$ 2,272	\$ 2,745	\$ 2,740
Capital Assets, Net	<u>3,396</u>	<u>3,284</u>	<u>11,767</u>	<u>11,952</u>	<u>15,163</u>	<u>15,236</u>
Total Assets	<u>3,784</u>	<u>3,752</u>	<u>14,124</u>	<u>14,224</u>	<u>17,908</u>	<u>17,976</u>
<b>Liabilities</b>						
Current and Other Liabilities	303	218	1,557	1,335	1,860	1,553
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>2,641</u>	<u>2,827</u>	<u>2,641</u>	<u>2,827</u>
Total Liabilities	<u>303</u>	<u>218</u>	<u>4,198</u>	<u>4,162</u>	<u>4,501</u>	<u>4,380</u>
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	3,396	3,284	8,936	8,940	12,332	12,224
Reserved	24	102	260	224	284	326
Unrestricted	<u>61</u>	<u>148</u>	<u>730</u>	<u>898</u>	<u>791</u>	<u>1,046</u>
Total Net Assets	<u>\$ 3,481</u>	<u>\$ 3,534</u>	<u>\$ 9,926</u>	<u>\$ 10,062</u>	<u>\$ 13,407</u>	<u>\$ 13,596</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13.4 million as of June 30, 2007.

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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

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

Total assets decreased \$68,000. Current assets increased \$5,000, and capital assets decreased by \$73,000. These changes are combined with an increase in accounts payable and other current liabilities of \$307,000 and a decrease in bonds payable of \$186,000 resulting in a decrease in net assets of \$189,000.

Net assets of the City's governmental activities decreased \$53,000. The net assets of the City's business-type activities decreased \$136,000.

Table 2 reflects the change in net assets for fiscal year 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 143	\$ 163	\$ 6,147	\$ 5,745	\$ 6,290	\$ 5,908
Operating Capital Grants and Contributions	<u>72</u>	<u>72</u>	<u>-</u>	<u>60</u>	<u>72</u>	<u>132</u>
Total Program Revenues	<u>215</u>	<u>235</u>	<u>6,147</u>	<u>5,805</u>	<u>6,362</u>	<u>6,040</u>
General Revenues						
Property Taxes	574	536	-	-	574	536
Licenses and Permits	351	326	-	-	351	326
Interest	2	1	9	9	11	10
Transfers	507	532	(507)	(532)	-	-
Other Revenues	<u>127</u>	<u>183</u>	<u>48</u>	<u>24</u>	<u>175</u>	<u>207</u>
Total General Revenues	<u>1,561</u>	<u>1,578</u>	<u>(450)</u>	<u>(499)</u>	<u>1,111</u>	<u>1,079</u>
Total Revenues	<u>1,776</u>	<u>1,813</u>	<u>5,697</u>	<u>5,306</u>	<u>7,473</u>	<u>7,119</u>

(Continued)

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Program Expenses</b>						
General Government	374	366	-	-	374	366
Police	554	477	-	-	554	477
Fire	88	57	-	-	88	57
Streets	471	334	-	-	471	334
Cemetery	24	24	-	-	24	24
Sanitation	104	95	-	-	104	95
Recreation	12	9	-	-	12	9
Main Street	28	28	-	-	28	28
Maintenance and Repairs	22	23	-	-	22	23
Utility Operation	-	-	5,038	4,851	5,038	4,851
Sewer Operation	-	-	795	744	795	744
Depreciation	152	148	-	-	152	148
<b>Total Expenses</b>	<u>1,829</u>	<u>1,561</u>	<u>5,833</u>	<u>5,595</u>	<u>7,662</u>	<u>7,156</u>
(Decrease) Increase in Net Assets	\$ <u>(53)</u>	\$ <u>252</u>	\$ <u>(136)</u>	\$ <u>(289)</u>	\$ <u>(189)</u>	\$ <u>(37)</u>

**Governmental Activities**

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Government	\$ 374	\$ 366	\$ 374	\$ 366
Police	554	477	534	456
Fire	88	57	88	57
Streets	471	334	420	282
Cemetery	24	24	-	(18)
Sanitation	104	95	(16)	(25)
Recreation	12	9	12	9
Main Street	28	28	28	28
Maintenance and Repairs	22	23	22	23
Depreciation	152	148	152	148
<b>Total Expenses</b>	<u>\$ 1,829</u>	<u>\$ 1,561</u>	<u>\$ 1,614</u>	<u>\$ 1,326</u>

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Business-Type Activities**

The business-type activities of the City consisted of the utility and sewer enterprise funds. These activities had revenues of \$6.2 million and expenses and transfers of \$6.3 million for fiscal year 2007. Total revenues increased \$113,000 and expenses and transfers increased \$213,000 from the prior fiscal year.

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.8 million and expenditures and other financing uses of \$1.9 million.

**General Fund Budgeting Highlights**

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, budgeted revenues and other financing sources, in the amount of \$2.1 million, exceeded actual revenues and other financing sources in the amount of \$455,000. The major difference comes from the difference in grants and contributions.

Expenditures and other financing uses were budgeted at \$2.2 million while actual expenditures were \$1.9 million.

General Fund revenues and other financing sources were less than expenditures and other financing uses by \$164,000.

CITY OF WILLIAMSTOWN, KENTUCKY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
 UNAUDITED  
 (Continued)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2007, the City had \$15.2 million invested in capital assets.

Table 4 reflects fiscal year 2007 balances compared to fiscal year 2006.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land and Construction						
In Progress	\$ 503	\$ 491	\$ 5	\$ 41	\$ 508	\$ 532
Buildings and Building						
Improvements	1,967	1,987	-	-	1,967	1,987
Infrastructure	470	400	-	-	470	400
Furniture and Fixtures	28	32	-	-	28	32
General Equipment	428	374	-	-	428	374
Water System	-	-	5,922	6,100	5,922	6,100
Electric System	-	-	903	844	903	844
Cable T.V. System	-	-	2,205	2,074	2,205	2,074
Sewer System	-	-	2,732	2,893	2,732	2,893
	<u>\$ 3,396</u>	<u>\$ 3,284</u>	<u>\$ 11,767</u>	<u>\$ 11,952</u>	<u>\$ 15,163</u>	<u>\$ 15,236</u>

**Current Issues**

The new Sewer Plant and the land acquisition are planned for the future as well as the Lake Expansion project. Both projects will be submitted for Federal and State funding.

**Contacting the City's Financial Management**

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

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 155,546	\$ 188,454	\$ 344,000
Accounts Receivable			
Property Taxes	17,186	-	17,186
Accounts	99,831	1,078,726	1,178,557
Intergovernmental	3,974	-	3,974
Accrued Interest Receivable	733	16,347	17,080
Bond Issuance Costs (Net of Accumulated Amortization of \$26,673)	-	86,619	86,619
Due from Other Funds	110,488	726,536	837,024
Restricted Assets - Cash	-	260,387	260,387
<b>Total Current Assets</b>	<u>387,758</u>	<u>2,357,069</u>	<u>2,744,827</u>
Capital Assets			
Land and Construction in Progress	502,769	5,300	508,069
Depreciable Capital Assets	3,477,198	25,828,099	29,305,297
Less Accumulated Depreciation	<u>(584,233)</u>	<u>(14,066,421)</u>	<u>(14,650,654)</u>
<b>Total Capital Assets</b>	<u>3,395,734</u>	<u>11,766,978</u>	<u>15,162,712</u>
<b>Total Assets</b>	<u>3,783,492</u>	<u>14,124,047</u>	<u>17,907,539</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	109,501	499,731	609,232
Other Current Liabilities	30,548	59,152	89,700
Due to Other Funds	145,680	691,344	837,024
Customer Deposits	-	65,106	65,106
Accrued Interest Payable	-	10,882	10,882
Deferred Revenues	17,186	-	17,186
Compensated Absences Payable	-	40,207	40,207
Current Portion of Bonds Payable	-	190,000	190,000
<b>Total Current Liabilities</b>	<u>302,915</u>	<u>1,556,422</u>	<u>1,859,337</u>
Bonds Payable - Long-Term Portion	-	2,641,039	2,641,039
<b>Total Liabilities</b>	<u>302,915</u>	<u>4,197,461</u>	<u>4,500,376</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,395,734	8,935,939	12,331,673
Reserved for Debt Service	-	260,387	260,387
Unreserved	61,214	730,260	791,474
Fund Balances			
Reserved for Municipal Aid	20,464	-	20,464
Reserved for LGEA	<u>3,165</u>	<u>-</u>	<u>3,165</u>
<b>Total Net Assets</b>	<u>\$ 3,480,577</u>	<u>\$ 9,926,586</u>	<u>\$ 13,407,163</u>

See accompanying notes

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2007

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
Governmental Activities						
General Government	\$ 373,922	\$ -	\$ -	(373,922)	\$ -	(373,922)
Police	554,264	20,085	-	(534,179)	-	(534,179)
Fire	87,872	-	-	(87,872)	-	(87,872)
Streets	471,095	51,635	-	(419,460)	-	(419,460)
Cemetery	23,898	-	-	(372)	-	(372)
Sanitation	103,384	-	-	16,555	-	16,555
Recreation	12,188	-	-	(12,188)	-	(12,188)
Main Street	28,221	-	-	(28,221)	-	(28,221)
Maintenance and Repairs	22,192	-	-	(22,192)	-	(22,192)
Depreciation	152,181	-	-	(152,181)	-	(152,181)
<b>Total Governmental Activities</b>	<b>1,829,217</b>	<b>71,720</b>	<b>-</b>	<b>(1,614,032)</b>	<b>-</b>	<b>(1,614,032)</b>
<b>Business-Type Activities</b>						
Utility Fund	5,037,366	-	-	-	454,548	454,548
Sewer Fund	795,333	-	-	-	(140,384)	(140,384)
<b>Total Business-Type Activities</b>	<b>5,832,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314,164</b>	<b>314,164</b>
<b>Total Government</b>	<b>\$ 7,661,916</b>	<b>\$ 6,290,328</b>	<b>\$ 71,720</b>	<b>(1,614,032)</b>	<b>314,164</b>	<b>(1,299,868)</b>
<b>General Revenues</b>						
Property Taxes Levied for General Purposes	573,813			573,813	-	573,813
Licenses and Permits	350,781			350,781	-	350,781
Unrestricted Investment Earnings	2,071			2,071	8,755	10,826
Miscellaneous	126,977			126,977	48,714	175,691
Operating Transfers	507,253			507,253	(507,253)	-
<b>Total General Revenues</b>	<b>1,560,895</b>			<b>1,560,895</b>	<b>(449,784)</b>	<b>1,111,111</b>
<b>Change in Net Assets</b>				<b>(53,137)</b>	<b>(135,620)</b>	<b>(188,757)</b>
<b>Net Assets July 1, 2006</b>				<b>3,533,714</b>	<b>10,062,206</b>	<b>13,595,920</b>
<b>Net Assets June 30, 2007</b>				<b>\$ 3,480,577</b>	<b>\$ 9,926,586</b>	<b>\$ 13,407,163</b>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2007

	<u>General Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 155,546
Accounts Receivable	
Property Taxes	17,186
Accounts	99,831
Intergovernmental	3,974
Accrued Interest Receivable	733
Due from Other Funds	<u>110,488</u>
<b>Total Assets</b>	<b>\$ <u><u>387,758</u></u></b>
<b>Liabilities and Fund Balances</b>	
Liabilities	
Accounts Payable	\$ 109,501
Other Current Liabilities	30,548
Due to Other Funds	145,680
Deferred Revenue	<u>17,186</u>
<b>Total Liabilities</b>	<b><u>302,915</u></b>
Fund Balances	
Reserved for	
Municipal Aid	20,464
LGEA	3,165
Unreserved	<u>61,214</u>
<b>Total Fund Balances</b>	<b><u>84,843</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u><u>387,758</u></u></b>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO  
THE STATEMENT OF NET ASSETS  
June 30, 2007

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

**Total Fund Balances - Governmental Fund** \$ 84,843

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

	Cost of Capital Assets	\$ 3,979,967	
	Accumulated Depreciation	<u>(584,233)</u>	
			<u>3,395,734</u>

**Total Net Assets - Governmental Activities** \$ 3,480,577

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2007**

	<b>General Fund</b>
<b>Revenues</b>	
Property Taxes	\$ 573,813
Licenses and Permits	350,781
Grants and Contributions	120,061
Charges for Services	143,465
Total Revenues	1,188,120
<b>Expenditures</b>	
General Government	376,702
Police	582,044
Fire	87,872
Streets	482,243
Cemetery	23,898
Sanitation	103,384
Recreation	12,188
Main Street	28,221
Maintenance and Capital Outlay	243,940
Total Expenditures	1,940,492
<b>Deficit of Revenues Over Expenditures</b>	<b>(752,372)</b>
<b>Other Financing Sources</b>	
Interest	2,071
Other	78,636
Operating Transfers In	507,253
Total Other Financing Sources	587,960
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(164,412)</b>
<b>Fund Balance July 1, 2006</b>	<b>249,255</b>
<b>Fund Balance June 30, 2007</b>	<b>\$ 84,843</b>

See accompanying notes

CITY OF WILLIAMSTOWN, KENTUCKY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO  
 THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2007

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

**Change in Fund Balances - Total Governmental Fund** \$ (164,412)

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

	\$	(152,181)	
Depreciation Expense			
Capital Outlay		263,456	
			111,275

**Change in Net Assets - Governmental Activities** \$ (53,137)

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 500,000	\$ 500,000	\$ 573,813	\$ 73,813
Licenses and Permits	332,500	332,500	350,781	18,281
Grants and Contributions	595,500	595,500	120,061	(475,439)
Charges for Services	154,600	154,600	143,465	(11,135)
<b>Total Revenues</b>	<u>1,582,600</u>	<u>1,582,600</u>	<u>1,188,120</u>	<u>(394,480)</u>
<b>Expenditures</b>				
General Government	419,750	419,750	376,702	43,048
Police	563,500	563,500	582,044	(18,544)
Fire	128,100	128,100	87,872	40,228
Streets	381,200	381,200	482,243	(101,043)
Cemetery	30,600	30,600	23,898	6,702
Sanitation	110,000	110,000	103,384	6,616
Recreation	15,900	15,900	12,188	3,712
Main Street	34,250	34,250	28,221	6,029
Maintenance and Capital Outlay	477,600	525,700	243,940	281,760
<b>Total Expenditures</b>	<u>2,160,900</u>	<u>2,209,000</u>	<u>1,940,492</u>	<u>268,508</u>
<b>Deficit of Revenues Over Expenditures</b>	<u>(578,300)</u>	<u>(626,400)</u>	<u>(752,372)</u>	<u>(125,972)</u>
<b>Other Financing Sources</b>				
Interest	2,000	2,000	2,071	(71)
Other	19,500	19,500	78,636	(59,136)
Operating Transfers In	505,700	505,700	507,253	(1,553)
<b>Total Other Financing Sources</b>	<u>527,200</u>	<u>527,200</u>	<u>587,960</u>	<u>(60,760)</u>
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(51,100)</u>	<u>(99,200)</u>	<u>(164,412)</u>	<u>(65,212)</u>
<b>Fund Balance July 1, 2006</b>	<u>249,255</u>	<u>249,255</u>	<u>249,255</u>	<u>-</u>
<b>Fund Balance June 30, 2007</b>	<u>\$ 198,155</u>	<u>\$ 150,055</u>	<u>\$ 84,843</u>	<u>\$ (65,212)</u>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 188,454	\$ 188,454
Restricted Cash	260,387	-	260,387
<b>Total Cash</b>	<b>260,387</b>	<b>188,454</b>	<b>448,841</b>
Accounts Receivable			
Customers	949,898	128,828	1,078,726
Accrued Interest Receivable	16,347	-	16,347
Due from Other Funds	623,427	103,109	726,536
Bond Issuance Costs (Net of Accumulated Amortization of \$26,673)	86,619	-	86,619
<b>Total Current Assets</b>	<b>1,936,678</b>	<b>420,391</b>	<b>2,357,069</b>
Capital Assets			
Construction in Progress	-	5,300	5,300
Depreciable Capital Assets	17,981,598	7,846,501	25,828,099
Less Accumulated Depreciation	(8,951,975)	(5,114,446)	(14,066,421)
<b>Total Capital Assets</b>	<b>9,029,623</b>	<b>2,737,355</b>	<b>11,766,978</b>
<b>Total Assets</b>	<b>10,966,301</b>	<b>3,157,746</b>	<b>14,124,047</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	469,361	30,370	499,731
Other Current Liabilities	51,551	7,601	59,152
Due to Other Funds	161,947	529,397	691,344
Customer Deposits	65,106	-	65,106
Accrued Interest Payable	10,882	-	10,882
Compensated Absences Payable	32,825	7,382	40,207
Current Portion of Bonds Payable	190,000	-	190,000
<b>Total Current Liabilities</b>	<b>981,672</b>	<b>574,750</b>	<b>1,556,422</b>
Long-Term Liabilities			
Bonds Payable	2,641,039	-	2,641,039
<b>Total Liabilities</b>	<b>3,622,711</b>	<b>574,750</b>	<b>4,197,461</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	6,198,584	2,737,355	8,935,939
Reserved for Debt Service	260,387	-	260,387
Unreserved	884,619	(154,359)	730,260
<b>Total Net Assets</b>	<b>\$ 7,343,590</b>	<b>\$ 2,582,996</b>	<b>\$ 9,926,586</b>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	Business-Type Activities Enterprise Funds		
	Utility Fund	Sewer Fund	Total
<b>Operating Revenues</b>			
Charges for Services			
Electric Services	\$ 3,628,180	\$ -	\$ 3,628,180
Water Services	1,272,158	-	1,272,158
Cable TV Services	555,970	-	555,970
Sewer Services	-	654,949	654,949
Other Operating Revenues	35,606	48,714	84,320
Total Operating Revenues	<u>5,491,914</u>	<u>703,663</u>	<u>6,195,577</u>
<b>Operating Expenses</b>			
Personnel Services	1,124,359	297,839	1,422,198
Contractual Services	3,047,909	206,565	3,254,474
Materials and Supplies	125,970	33,908	159,878
Depreciation and Amortization	617,063	230,238	847,301
Miscellaneous	12,279	1,831	14,110
Total Operating Expenses	<u>4,927,580</u>	<u>770,381</u>	<u>5,697,961</u>
Operating Income (Loss)	<u>564,334</u>	<u>(66,718)</u>	<u>497,616</u>
<b>Other Income (Expense)</b>			
Interest Income	8,359	396	8,755
Interest Expense	(109,786)	(24,952)	(134,738)
Fund Transfer (Out)/In	(507,764)	511	(507,253)
Total Other Expense	<u>(609,191)</u>	<u>(24,045)</u>	<u>(633,236)</u>
<b>Change in Net Assets</b>	<u>(44,857)</u>	<u>(90,763)</u>	<u>(135,620)</u>
<b>Net Assets July 1, 2006</b>	<u>7,388,447</u>	<u>2,673,759</u>	<u>10,062,206</u>
<b>Net Assets June 30, 2007</b>	<u>\$ 7,343,590</u>	<u>\$ 2,582,996</u>	<u>\$ 9,926,586</u>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers	\$ 5,267,118	\$ 679,391	\$ 5,946,509
Cash Paid to/for			
Employees	(1,121,112)	(293,363)	(1,414,475)
Contractual Services	(3,047,909)	(206,565)	(3,254,474)
Supplies	37,639	(23,691)	13,948
Net Cash Provided by Operating Activities	<u>1,135,736</u>	<u>155,772</u>	<u>1,291,508</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Fund Transfer Out	<u>(486,164)</u>	<u>(21,089)</u>	<u>(507,253)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments on Debt	(185,000)	-	(185,000)
Interest Expense	(105,558)	(24,952)	(130,510)
Acquisition of Capital Assets	<u>(621,682)</u>	<u>(33,124)</u>	<u>(654,806)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(912,240)</u>	<u>(58,076)</u>	<u>(970,316)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Income	<u>2,962</u>	<u>396</u>	<u>3,358</u>
Net Change in Cash	(259,706)	77,003	(182,703)
<b>Cash and Cash Equivalents July 1, 2006</b>	<u>520,093</u>	<u>111,451</u>	<u>631,544</u>
<b>Cash and Cash Equivalents June 30, 2007</b>	<u>\$ 260,387</u>	<u>\$ 188,454</u>	<u>\$ 448,841</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 564,334	\$ (66,718)	\$ 497,616
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Depreciation and Amortization	617,063	230,238	847,301
Change in Assets and Liabilities			
Accounts Receivable	(224,324)	(24,272)	(248,596)
Accounts Payable	175,888	12,048	187,936
Other Current Liabilities	3,247	4,476	7,723
Customer Deposits	<u>(472)</u>	<u>-</u>	<u>(472)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,135,736</u>	<u>\$ 155,772</u>	<u>\$ 1,291,508</u>

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

See accompanying notes.

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

**NOTE 1 – ACCOUNTING POLICIES**

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

**The Reporting Entity**

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

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

**Use of Estimates**

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

**Basis of Presentation**

**Government-Wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

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

The City has the following funds:

**I. Governmental Fund Types**

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

**II. Proprietary Fund Types (Enterprise Fund)**

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

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

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

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

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

Expenses are recognized at the time they are incurred.

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

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

**Budgets**

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

**Stewardship, Compliance and Accountability**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

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

**Cash and Cash Equivalents**

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

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide financial statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Building and Building Improvements	10 – 40 Years
Infrastructure	15 – 25 Years
General Equipment	5 – 15 Years
Water System	5 – 50 Years
Electric System	5 – 30 Years
Cable T.V. System	5 – 30 Years
Sewer System	5 – 30 Years

**Restricted Assets**

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

**Compensated Absences**

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

Employees accrue unused accumulated sick leave up to a maximum of 950 hours. Under the City's policy, employees can utilize sick leave only when sick or upon retirement. Since the employees' accumulating rights to receive compensation for unused accumulated sick leave are contingent upon the absences being caused by illnesses or retirement and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

**Fund Equity**

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

**Interfund Transactions**

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

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

**Advertising**

All advertising costs are expensed to operations when incurred.

**NOTE 2 – DEPOSITS**

It is the policy of the City to invest public funds in a manner that will provide the highest investment with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and city regulations governing the investments of public funds.

The City is authorized to invest in:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

*Custodial Credit Risk – Deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2007, the City had uninsured or uncollateralized deposits in the amount of \$-0-.

For purposes of the cash flows statement, cash includes cash in checking accounts and short-term deposits with an initial maturity of ninety days or less. Restricted cash held in escrow for the purpose of debt service is not included in cash for this statement.

**NOTE 3 – PROPERTY TAXES RECEIVABLE**

Property taxes attached as an enforceable lien on property as of January 1, 2006. Taxes were levied in August, 2006, and were due and payable at that time. All unpaid taxes levied in August become delinquent January 1 of the following year.

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

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The City begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the City's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, the City has estimated no allowance for doubtful accounts at June 30, 2007 because it expects no material losses.

## NOTE 5 – PROPERTY AND EQUIPMENT

Capital Asset activity for the fiscal year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 490,769	\$ 12,000	\$ -	\$ 502,769
Depreciable Capital Assets				
Street Improvements	438,323	94,307	-	532,630
Building and Building Improvements	2,176,127	42,336	-	2,218,463
Furniture and Fixtures	44,287	-	-	44,287
General Equipment	<u>567,005</u>	<u>114,813</u>	<u>-</u>	<u>681,818</u>
Total Depreciable Capital Assets	<u>3,225,742</u>	<u>251,456</u>	<u>-</u>	<u>3,477,198</u>
Total Capital Assets at Historical Cost	<u>3,716,511</u>	<u>263,456</u>	<u>-</u>	<u>3,979,967</u>
Less: Accumulated Depreciation				
Street Improvements	38,230	24,394	-	62,624
Building Improvements	188,813	63,132	-	251,945
Furniture and Fixtures	12,018	4,335	-	16,353
General Equipment	<u>192,991</u>	<u>60,320</u>	<u>-</u>	<u>253,311</u>
Total Accumulated Depreciation	<u>432,052</u>	<u>152,181</u>	<u>-</u>	<u>584,233</u>
Depreciable Capital Assets, Net	<u>2,793,690</u>	<u>99,275</u>	<u>-</u>	<u>2,892,965</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,284,459</u>	<u>\$ 111,275</u>	<u>\$ -</u>	<u>\$ 3,395,734</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	<u>\$ 41,378</u>	<u>\$ 5,300</u>	<u>\$ 41,378</u>	<u>\$ 5,300</u>
Depreciable Capital Assets				
Water System	11,743,779	246,051	-	11,989,830
Electric System	2,997,384	135,984	-	3,133,368
Cable TV System	2,618,753	239,647	-	2,858,400
Sewer System	<u>7,777,299</u>	<u>69,202</u>	<u>-</u>	<u>7,846,501</u>
Total Depreciable Capital Assets	<u>25,137,215</u>	<u>690,884</u>	<u>-</u>	<u>25,828,099</u>
Total Capital Assets at Historical Cost	<u>25,178,593</u>	<u>696,184</u>	<u>41,378</u>	<u>25,833,399</u>
Less: Accumulated Depreciation				
Water System	5,644,134	423,494	-	6,067,628
Electric System	2,153,863	77,004	-	2,230,867
Cable TV System	544,288	109,192	-	653,480
Sewer System	<u>4,884,208</u>	<u>230,238</u>	<u>-</u>	<u>5,114,446</u>
Total Accumulated Depreciation	<u>13,226,493</u>	<u>839,928</u>	<u>-</u>	<u>14,066,421</u>
Depreciable Capital Assets, Net	<u>11,910,722</u>	<u>(149,044)</u>	<u>-</u>	<u>11,761,678</u>
Business-Type Activities Capital Assets, Net	<u>\$11,952,100</u>	<u>\$ (143,744)</u>	<u>\$ 41,378</u>	<u>\$11,766,978</u>

**NOTE 5 – PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

Prior to 1980, the City of Williamstown did not maintain a record of general fixed assets and proprietary fund fixed assets. The City conducted an inventory of its property, plant and equipment to determine costs or estimated costs by reviewing contracts, engineering reports, minutes of City Council meetings and actual disbursement records to the extent practical in the circumstances.

**NOTE 6 – BONDS PAYABLE**

**Utility System Revenue Refunding Bonds, Series 2003**

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

On March 1, 2004, the City issued utility revenue refunding bonds of \$1,075,000; with interest rates varying from 1.875% to 4.190% to advance refund the 1993 water revenue bonds. The new issue redeemed the outstanding 1993 bonds maturing after June 1, 2005 in the principal amount of \$930,000 on June 1, 2004 at the redemption price of 102%.

The outstanding balance at June 30, 2007 is \$630,000, payments on which are due June 1 of each year through 2013. The City incurred deferred refunding costs in the amount of \$42,288, which were capitalized and netted against the outstanding balance of the bonds. The deferred refunding costs are being written off over 10 years as a component of interest expense.

**Utility System Revenue Refunding Bonds, Series 2004**

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

The Outstanding balance at June 30, 2007 is \$2,225,000, payments on which are due June 1, of each year through 2024.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2007 for debt service, (principal and interest) are as follows:

Fiscal Year Ending June 30,	Bond		
	Principal	Interest	Total
2008	\$ 190,000	\$ 125,130	\$ 315,130
2009	195,000	119,098	314,098
2010	205,000	112,368	317,368
2011	210,000	104,830	314,830
2012	215,000	92,140	307,140
2013	225,000	85,740	310,740
2014	115,000	78,930	193,930
2015	120,000	74,100	194,100
2016	125,000	69,000	194,000
2017	130,000	62,750	192,750

(Continued)

**NOTE 7 – BONDS PAYABLE (Continued)**

Fiscal Year Ending June 30,	Bond		
	Principal	Interest	Total
2018	140,000	56,250	196,250
2019	145,000	49,250	194,250
2020	150,000	42,000	192,000
2021	160,000	34,500	194,500
2022	170,000	26,500	196,500
2023	175,000	18,000	193,000
2024	<u>185,000</u>	<u>9,250</u>	<u>194,250</u>
Totals	<u>\$ 2,855,000</u>	<u>\$ 1,159,836</u>	<u>\$ 4,014,836</u>
Unamortized Deferred Refunding Costs	<u>(23,961)</u>		
Net Bonds Payable Business-Type Activities	<u>\$ 2,831,039</u>		

The following is a summary of the City's bond transactions for the year ended June 30, 2007:

	Outstanding July 1, 2006	Additions of New Debt	Repayments	Outstanding June 30, 2007	Amounts Expected to be Paid Within One Year
Bonds Payable	<u>\$ 3,040,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 2,855,000</u>	<u>\$ 190,000</u>

**NOTE 7 – CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Management the resolution of these matters will not result in a material uninsured liability to the City.

**NOTE 8 – INTEREST EXPENSE**

Interest expense for the year ended June 30, 2007 consisted of the following:

Proprietary Funds:	
Interest Expense on Utility Revenue Refunding Bonds, Series 2003	\$ 26,494
Interest Expense on Utility Revenue Refunding Bonds, Series 2004	104,015
Deferred Refunding Costs	<u>4,229</u>
	<u>\$ 134,738</u>

**NOTE 9 – EMPLOYEES' RETIREMENT PLAN**

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

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

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

Participating employees contribute 5% of the creditable compensation (8% for hazardous duty participants). Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 13.19% of the employees' compensation (28.21% for hazardous duty participants) during the fiscal year ended June 30, 2007.

The City of Williamstown's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$234,588, \$188,264 and \$145,844, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

**NOTE 10 – CONTINGENCIES**

The City receives funding from federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 11 – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

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**SUPPLEMENTAL INFORMATION**

CITY OF WILLIAMSTOWN, KENTUCKY  
 SCHEDULE OF CURRENT EXPENDITURES  
 GENERAL FUND  
 Year Ended June 30, 2007

Expenditures	General Government					Streets	Cemetery	Sanitation	Recreation	Main Street	Maintenance and Capital Outlay	Total
	Police	Fire	Streets	Cemetery	Sanitation							
Salaries	\$ 142,666	\$ 282,694	\$ 7,808	\$ 159,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,814	\$ -	\$ 617,832
Medical Insurance	20,907	55,626	3,275	48,340	-	-	-	-	-	-	-	128,148
FICA	12,327	19,907	562	11,654	-	-	-	-	-	-	-	44,450
Employee Retirement	14,882	74,875	736	18,777	-	-	-	-	-	-	-	109,270
Workers Compensation	465	18,025	-	21,653	-	-	-	-	-	-	-	40,143
Advertising and Printing	2,443	-	-	-	-	-	-	-	-	-	-	2,443
Professional Fees	50,264	-	-	-	-	-	-	-	-	-	-	50,264
Insurance	20,385	46,915	20,137	24,701	-	-	-	-	-	-	-	112,138
Economic Development	24,737	-	-	-	-	-	-	-	-	-	-	24,737
Planning and Zoning	23,250	-	-	-	-	-	-	-	-	-	-	23,250
Other Contractual Services	5,049	2,560	9,607	1,660	-	-	-	985	-	-	-	19,861
Education and Training	4,277	2,000	1,943	1,001	-	-	-	-	-	1,270	-	10,491
Repairs and Maintenance	2,419	23,751	3,645	20,376	2,243	-	-	846	-	-	-	53,280
Travel and Lodging	6,254	-	-	-	-	-	-	-	-	-	-	6,254
Utilities	14,700	-	5,835	-	-	-	-	3,793	-	-	-	24,328
Communications and Postage	7,427	9,326	321	2,085	-	-	-	903	-	340	-	20,402
Dues and Subscriptions	5,455	-	-	-	-	-	-	-	-	-	-	5,455
Office Supplies	4,886	2,631	-	-	-	-	-	-	-	1,082	-	8,599
City Festivals	8,289	-	-	-	-	-	-	-	-	-	-	8,289
Contributions	750	-	-	-	-	-	-	1,500	-	-	-	2,250
Miscellaneous	4,870	6,810	2,841	4,119	-	-	-	244	-	715	-	19,599
Vehicle Maintenance	-	29,689	16,889	17,591	-	-	-	-	-	-	-	64,169
Technical Supplies	-	4,391	-	1	-	-	-	-	-	-	-	4,392
Uniforms	-	2,844	1,528	934	-	-	-	-	-	-	-	5,306
Equipment Parts	-	-	11,080	4,490	-	-	-	260	-	-	-	15,830
Other Material and Supplies	-	-	1,665	11,091	-	-	-	1,257	-	-	-	14,013
Municipal Aid/LGEA	-	-	-	133,920	-	-	-	-	-	-	-	133,920
Graves	-	-	-	-	13,625	-	-	-	-	-	-	13,625
Cemetery Sexton	-	-	-	-	6,600	-	-	-	-	-	-	6,600
Trustee Fees	-	-	-	-	1,430	-	-	-	-	-	-	1,430
Waste Collection	-	-	-	-	-	-	103,384	-	-	-	-	103,384
Park Pay Contract	-	-	-	-	-	-	-	2,400	-	-	-	2,400
Maintenance and Capital Outlay	-	-	-	-	-	-	-	-	-	-	243,940	243,940
<b>Total General Fund</b>	<b>\$ 376,702</b>	<b>\$ 582,044</b>	<b>\$ 87,872</b>	<b>\$ 482,243</b>	<b>\$ 23,898</b>	<b>\$ 103,384</b>	<b>\$ 12,188</b>	<b>\$ 28,221</b>	<b>\$ 243,940</b>	<b>\$ 1,940,492</b>		
<b>Current Expenditures</b>												

CITY OF WILLIAMSTOWN, KENTUCKY  
 COMBINING STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 ALL PROPRIETARY FUND TYPES  
 Year Ended June 30, 2007

	All Proprietary Fund Types					
	Utility Fund				Sewer Fund Total	Total
	Electric System	Water System	Cable T.V. System	Total		
<b>Operating Revenues</b>						
Charges for Services	\$ 3,628,180	\$ 1,272,158	\$ 555,970	\$ 5,456,308	\$ 654,949	\$ 6,111,257
Tap In Fees	-	33,715	-	33,715	23,986	57,701
Lift Station	-	-	-	-	22,456	22,456
Reconnects	605	-	-	605	-	605
Miscellaneous	1,286	-	-	1,286	2,272	3,558
<b>Total Operating Revenues</b>	<b>3,630,071</b>	<b>1,305,873</b>	<b>555,970</b>	<b>5,491,914</b>	<b>703,663</b>	<b>6,195,577</b>
<b>Operating Expenses</b>						
<b>Personnel Services</b>						
Salaries	287,998	298,865	182,689	769,552	195,603	965,155
Medical Insurance	66,635	51,227	36,421	154,283	50,949	205,232
FICA	20,708	21,601	13,498	55,807	14,313	70,120
Employee Retirement	38,811	38,198	23,429	100,438	25,616	126,054
Workers' Compensation	7,450	22,166	14,663	44,279	11,358	55,637
<b>Total Personnel Services</b>	<b>421,602</b>	<b>432,057</b>	<b>270,700</b>	<b>1,124,359</b>	<b>297,839</b>	<b>1,422,198</b>
<b>Contractual Services</b>						
System Repairs/Maintenance	2,999	15,971	(3,179)	15,791	34,483	50,274
Utilities	2,342,312	76,081	15,619	2,434,012	80,250	2,514,262
Other Contract Service	53,397	100,467	28,829	182,693	24,364	207,057
Education and Training	2,965	1,160	2,831	6,956	3,577	10,533
Lab Tests	-	9,722	-	9,722	4,701	14,423
Communications and Postage	14,612	6,231	6,848	27,691	3,962	31,653
Insurance	32,205	29,854	19,686	81,745	29,626	111,371
Advertising and Printing	-	788	-	788	-	788
Professional Fees	3,934	3,405	2,952	10,291	6,102	16,393
Royalties	-	-	232,507	232,507	-	232,507
Vehicle Maintenance	13,479	25,116	7,118	45,713	19,500	65,213
<b>Total Contractual Services</b>	<b>2,465,903</b>	<b>268,795</b>	<b>313,211</b>	<b>3,047,909</b>	<b>206,565</b>	<b>3,254,474</b>
<b>Materials and Supplies</b>						
Equipment Parts	1,026	2,182	4,229	7,437	1,317	8,754
Technical Supplies	542	1,902	7,199	9,643	273	9,916
Uniforms	841	501	780	2,122	734	2,856
Chemicals and Chlorine	-	66,525	-	66,525	29,971	96,496
Lab Materials	-	4,592	-	4,592	1,613	6,205
Construction Materials	5,749	-	16,110	21,859	-	21,859
Office Supplies	10,397	-	3,395	13,792	-	13,792
<b>Total Materials and Supplies</b>	<b>18,555</b>	<b>75,702</b>	<b>31,713</b>	<b>125,970</b>	<b>33,908</b>	<b>159,878</b>
Depreciation and Amortization	77,004	430,867	109,192	617,063	230,238	847,301
<b>Miscellaneous</b>						
Dues and Subscriptions	2,994	793	713	4,500	498	4,998
Safety Committee	110	-	-	110	-	110
Miscellaneous	2,475	1,984	3,210	7,669	1,333	9,002
<b>Total Miscellaneous</b>	<b>5,579</b>	<b>2,777</b>	<b>3,923</b>	<b>12,279</b>	<b>1,831</b>	<b>14,110</b>
<b>Total Operating Expenses</b>	<b>2,988,643</b>	<b>1,210,198</b>	<b>728,739</b>	<b>4,927,580</b>	<b>770,381</b>	<b>5,697,961</b>
<b>Operating Income (Loss)</b>	<b>641,428</b>	<b>95,675</b>	<b>(172,769)</b>	<b>564,334</b>	<b>(66,718)</b>	<b>497,616</b>
<b>Non-Operating Revenues and (Expenses)</b>						
Interest Income	8,359	-	-	8,359	396	8,755
Interest Expense	-	(109,786)	-	(109,786)	(24,952)	(134,738)
Intergovernmental Revenue	-	-	-	-	-	-
<b>Total Non-Operating Revenues and (Expenses)</b>	<b>8,359</b>	<b>(109,786)</b>	<b>-</b>	<b>(101,427)</b>	<b>(24,556)</b>	<b>(125,983)</b>
<b>Income (Loss) Before Transfers</b>	<b>649,787</b>	<b>(14,111)</b>	<b>(172,769)</b>	<b>462,907</b>	<b>(91,274)</b>	<b>371,633</b>
<b>Operating Transfers (Out) In</b>	<b>(131,653)</b>	<b>(376,111)</b>	<b>-</b>	<b>(507,764)</b>	<b>511</b>	<b>(507,253)</b>
<b>Change in Net Assets</b>	<b>\$ 518,134</b>	<b>\$ (390,222)</b>	<b>\$ (172,769)</b>	<b>\$ (44,857)</b>	<b>\$ (90,763)</b>	<b>\$ (135,620)</b>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Williamstown, Kentucky as of and for the year ended June 30, 2007, which collectively comprise the City of Williamstown, Kentucky's basic financial statements and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Finding 2007-1

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

Honorable Mayor  
Members of the City Council  
Page Two

Management's Response

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above as item 2007-1 to be a material weakness.

During our audit we also became aware of another matter that is an opportunity for strengthening internal controls and operating efficiency. Below is our comment and suggestion concerning other matters:

Comment 2007-1

*Review Functions of Bank Accounts*

At present, the City maintains 23 checking and certificate of deposit accounts. Many of the accounts were established for narrow purposes and have few transactions and small balances. We recommend that management periodically review the functions of all bank accounts to determine whether they are necessary. Only the minimum number of bank accounts consistent with operating requirements should be established. Numerous bank accounts result in complexity and inefficient administration and provide opportunities for internal control weaknesses. Time needed to record accounting transactions, as well as time and fees incurred in auditing and accounting services, could be reduced if the City eliminated or combined bank accounts when possible.

Compliance and Other Matters

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

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
October 31, 2007

## ASSURANCES - CONSTRUCTION PROGRAMS

OMB Approval No. 4040-0009  
Expiration Date 07/30/2010

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

**NOTE:** Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.
6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
10. Will comply with all Federal statutes relating to non-discrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681 1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.

11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333) regarding labor standards for federally-assisted construction subagreements.
14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq).
18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-1 33, "Audits of States, Local Governments, and Non-Profit Organizations."
19. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

*SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL 	*TITLE Mayor
*APPLICANT ORGANIZATION  City of Williamstown, Kentucky	*DATE SUBMITTED Aug. 11, 2009



JEFFREY C. SHIPP  
jshipp@kplaw.com

August 17, 2009

**Cincinnati Office:**

PNC Center, Suite 800  
201 East Fifth Street  
Cincinnati, OH 45202-4190  
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211 Grandview Drive, Suite 206  
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Joseph Beech III  
Colleen M. Blandford<sup>1</sup>  
John L. Campbell<sup>1</sup>  
Anthony J. Caruso<sup>1</sup>  
Ann Ruley Combs<sup>1</sup>  
Joseph L. Dilts<sup>2</sup>  
H. Drewry Gores<sup>1</sup>  
Richard M. Haines<sup>1</sup>  
Andrew J. Hogan  
John J. Kelley, Jr.  
Kimberly A. Kyle<sup>1</sup>  
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Scott A. Best<sup>1</sup>  
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Christopher Cotter<sup>1</sup>  
Rebecca Cull<sup>1</sup>  
Louis C. Schneider<sup>1,2</sup>  
W. Andrew Patton (Of Counsel)  
Keith M. Rabenold (Of Counsel)  
John P. Tafaro (Of Counsel)  
Ralph B. Kohonen (1935-2008)

All are admitted in Ohio

<sup>1</sup> Also admitted in Kentucky

<sup>2</sup> Also admitted in Indiana

<sup>3</sup> Also admitted in Florida

<sup>4</sup> Also admitted in Minnesota

Administrator  
Rural Utilities Service  
U.S. Department of Agriculture  
Washington, D.C. 20250-1500

Assistant Secretary  
National Telecommunications and Information Administration  
U.U. Department of Commerce  
Washington, D.C. 20230

**Re: City of Williamstown, Kentucky  
Economic Stimulus Funds**

Dear Sir:

We are general counsel for the City of Williamstown, Kentucky, (the "Applicant"). In such capacity, we act as counsel to the Applicant in connection with its ability to apply to the Broadband Initiatives Program and/or the Broadband Technology Opportunities Program and in the review of the BIP loan/grant combination agreement and the BTOP grant agreement, as referenced in the Notice of Funds Availability.

We are of the opinion that:

- a) the Applicant is a duly organized and existing municipal corporation under the laws of the State of Kentucky.
- b) the Applicant has corporate power; (1) to execute and deliver the grant agreement, loan agreement, or loan/grant combination agreement; and (2) to perform all acts required to be done by it under said agreement.
- c) no legal proceedings have been instituted or are pending against the Applicant, the outcome of which would adversely affect the Applicant's ability to perform the duties under the loan or loan/grant agreement, or adversely affect the security to be pledged under the loan agreement, and there are no judgments against the Applicant and no liens against any of the personal property of the Applicant, which would adversely affect the security to be pledged under the loan or loan/grant agreement; and

Administrator  
Assistant Secretary  
August 17, 2009  
Page 2

d) the Applicant has the power to own its property and carry out its business as now conducted.

Sincerely,

KOHNEN & PATTON LLP  
  
Jeffrey C. Shipp

JCS:ac  
350989.1.WI006.GB001  
08/10/2009

### CERTIFICATION REGARDING LOBBYING LOWER TIER COVERED TRANSACTIONS

Applicants should review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying."

#### LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

#### Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

In any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

**As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.**

NAME OF APPLICANT

City of Williamstown, Kentucky

AWARD NUMBER AND/OR PROJECT NAME

Deployment of Broadband Service to Corinth, KY

PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE

Glenn V. Caldwell, Mayor

SIGNATURE



DATE

Aug 11, 2009

### CERTIFICATION REGARDING LOBBYING

Applicants should also review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying." The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Commerce determines to award the covered transaction, grant, or cooperative agreement.

#### LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.

NAME OF APPLICANT

City of Williamstown, KY

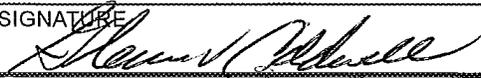
AWARD NUMBER AND/OR PROJECT NAME

Deployment of Broadband Service to Corinth, KY

PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE

Glenn V. Caldwell, Mayor

SIGNATURE



DATE

Aug 14, 2009

**Broadband Infrastructure Application  
Submission to RUS (BIP) and NTIA (BTOP)****Certification Requirements BTOP****U.S. Department of Commerce  
Broadband Technology Opportunities Program**

(i) I certify that I am authorized to submit this grant application on behalf of the eligible entity(ies) listed on this application, that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. § 1001 and civil violations of the False Claims Act.

(ii) I certify that the entity(ies) I represent have and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.

(iii) If requesting BTOP funding, I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the DOC Pre-Award Notification, published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); DOC American Recovery and Reinvestment Act Award Terms (April 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award."

Aug. 14, 2009  
(Date)

  
(Authorized Representative's Signature)

Glenn Caldwell

Name:

Mayor

Title:

**BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM  
Federal Request and Match Verification**

Name of Applicant Organization City of Williamstown, KY  
DUNS Number 156339889  
Easy Grants # of Submitted Application 142.5

As an Authorized Organizational Representative of the entity listed above, I verify that

(i.) The amounts in the "Grant Request" column from the budget table submitted by the entity I represent in response to Question 44 on page 17 of the Broadband Infrastructure Application completely and accurately reflect the amount of the organization's Federal grant request to NTIA; and

(ii.) The amounts in the "Cash \$" and "In-kind \$" fields submitted by the entity I represent in response to Question 52 on page 19 of the Broadband Infrastructure Application completely and accurately reflect, respectively, the organization's cash and in-kind matching contributions for the proposed project.

Signature of authorized person  Date March 15, 2010  
Print name of authorized person Douglas Beckham  
Title or position City Administrator

**DETAILED OF PROJECT COSTS: CITY OF WILLIAMSTOWN (1425)**

PLEASE COMPLETE THE TABLE BELOW FOR THE DIFFERENT CATEGORIES OF EQUIPMENT THAT WILL BE REQUIRED FOR COMPLETING THE PROJECT. EACH CATEGORY SHOULD BE BROKEN DOWN TO THE APPROPRIATE LEVEL FOR IDENTIFYING UNIT COST

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
<b>NETWORK &amp; ACCESS EQUIPMENT</b>					<b>\$307,227</b>	
Switching					0	
					0	
					0	
Routing	Dual Return Channel Receiver	yes	1,498.00	2	2996	
	Dual Multiplexers 1550/1310	yes	980	2	1960	
	Optical Couplers	yes	136	42	5693.1	
Transport	Nodes and Accessories	yes	15,222	4	60888	
	Lasers, 14dB	yes	17,800	4	71200	
	AC Power Supply	yes	770	4	3080	
Access	Optical Taps	yes	243.78	125	30472.5	
	Grommet Kit	yes	16.25	125	2031.25	
	Grommet Kit Cable	yes	16.25	125	2031.25	
Other	Backplate for chassis	yes	812	2	1624	
	NIU with power backup	yes	244.63	512	125250.56	
					0	
<b>OUTSIDE PLANT</b>					<b>\$244,528</b>	
Cables	Fiber Dist. 60ct, 48ct, 36ct	yes	0.46	75,000	34500	
	Fiber 4 ct	yes	0.18	132,000	23760	
	Lashing wire	yes	10.95	132	1445.4	
Conduits	1/2" conduit sdr11 black	yes	0.14	13200	1848	
					0	
					0	
Ducts					0	
					0	
					0	
Poles					0	
					0	
					0	
Towers					0	
					0	
					0	
Repeaters					0	
					0	
					0	
Other(Construction)	Lashing Distrubution Fiber	yes	1.35	132000	178200	
	Fiber Splicing Node & Tape	yes	25	191	4775	
					0	

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
<b>BUILDINGS</b>					<b>\$0</b>	
New Construction					0	
					0	
					0	
Pre-Fab Huts					0	
					0	
					0	
Improvements & Renovation					0	
					0	
					0	
Other					0	
					0	
					0	
<b>CUSTOMER PREMISE EQUIPMENT</b>					<b>\$99,609</b>	
Modems	SA DPC2100 cable modem	yes	33	512	16896	
					0	
					0	
Set Top Boxes					0	
					0	
					0	
Inside Writing					0	
					0	
					0	
Other	Drop Cable	yes	0.16	511500	81840	
	P hooks	yes	0.15	682	102.3	
	wedge clamps	yes	1.13	682	770.66	
<b>BILLING SUPPORT AND OPERATIONS SUPPORT SYSTEMS</b>					<b>\$0</b>	
Billing Support Systems					0	
					0	
					0	
Customer Care Systems					0	
					0	
					0	
Other Support					0	
					0	
					0	

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
<b>OPERATING EQUIPMENT</b>					<b>\$0</b>	
Vehicles					0	
					0	
					0	
Office Equipment / Furniture					0	
					0	
					0	
Other					0	
					0	
					0	
<b>PROFESSIONAL SERVICES</b>					<b>\$17,500</b>	
Engineering Design	GPS walkout, design & mapping	yes	500	25	12500	
					0	
					0	
Project Management					0	
					0	
					0	
Consulting	Consulting Service		200	25	5000	
					0	
					0	
Other					0	
					0	
					0	
<b>TESTING</b>					<b>\$0</b>	
Network Elements					0	
					0	
					0	
IT System Elements					0	
					0	
					0	
User Devices					0	
					0	
					0	
Test Generators					0	
					0	
					0	
Lab Furnishings					0	
					0	
					0	
Servers / Computers					0	
					0	
					0	

SERVICE AREA or COMMON NETWORK FACILITIES:	Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
<b>OTHER UPFRONT COSTS</b>				<b>\$0</b>	
Site Preparation				0	
				0	
				0	
Other				0	
				0	
				0	
<b>PROJECT TOTAL:</b>				<b>\$668,864</b>	



## **Budget Narrative**

**Applicant Name: The City of Williamstown**

**EasyGrants Number: 1425**

**Organization Type (from Question 1D on BTOP application): Political subdivision of a State, including Local or County Government**

**Proposed Period of Performance:**

**Total Project Costs: \$669,135.00**

**Total Federal Grant Request: \$ 535,308.00**

**Total Matching Funds (Cash): \$133,827.00**

**Total Matching Funds (In-Kind): \$0**

**Total Matching Funds (Cash + In-Kind): \$133,827.00**

**Total Matching Funds (Cash + In-Kind) as Percentage of Total Project Costs: 20%**

---

### **1. Administrative and legal expenses-- \$5,000.00**

**- List breakout of position(s), time commitment(s) such as hours or level-of-effort, and salary information/rates with a detailed explanation, and additional information as needed.**

**The Applicant hired The Law Firm of Linda K. Ain to assist in the preparation of the Applicant's BIP/BTOP application. The firm's principal attorney, Linda K. Ain, provides critical advise and assistance to the Applicant in the application process. She will also assists the Applicant regarding compliance issues related to the grant Ms. Ain has 20 years of experience advising clients on telecommunications issues. The unit cost of Ms. Ain's representation was \$200 .00 per hour. She plans to spend 25 hours on the project, for a total expenditure of \$5,000.00.**

**- Provide description, calculation, and basis of evaluation for Cash Matching Funds.**



**The Cash Matching Fund calculation was made by calculating 20% of \$5,000.00, which is \$1,000.00.**

**- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. There are no In-Kind Matching Funds.**

## **2. Land, structure, rights-of-way, appraisals, etc.**

**- Provide description of estimated costs, proposed activities, and additional information as needed. The Applicant will not incur any costs for the purchase of land, structure, rights-of-way or appraisals.**

**- Provide description, calculation, and basis of evaluation for Cash Matching Funds. N/A**

**- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. N/A**

## **3. Relocation expenses and payment**

**- Provide explanation for the relocation, description of the person involved in the relocation, method used to calculate costs, and additional information as needed. The Applicant will not incur any costs for relocation expenses.**

**- Provide description, calculation, and basis of evaluation for Cash Matching Funds. N/A**

**- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. N/A**

## **4. Architectural and engineering fees-- \$12,500**

**- Provide description of estimated fees, explanation of proposed services, and additional information as needed. The Applicant will hire Cable Development Consulting, a BrightPath Certified engineering firm located in Georgetown, KY to perform a GPS mapping walkout and design and map the system. Cable Development Consultants' fee is \$500.00 per hour and it plans to expend 25 on the project, for a total cost of \$12,500.00.**



- Provide description, calculation, and basis of evaluation for Cash Matching Funds. **The Cash Matching Fund calculation was made by calculating 20% of \$12,500.00, which is \$2,500.00.**

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. **There are no In-Kind Matching Funds.**

## **5. Other architectural and engineering fees**

- Provide description of estimated fees, explanation of proposed services, and additional information as needed. **The Applicant will not incur any other architectural or engineering fees.**

- Provide description, calculation, and basis of evaluation for Cash Matching Funds. **N/A**

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. **N/A**

## **6. Project inspection fees**

- Provide description of estimated fees, explanation of proposed services, and additional information as needed. **The Applicant will not incur any project inspection fees.**

- Provide description, calculation, and basis of evaluation for Cash Matching Funds. **N/A**

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. **N/A**

## **7. Site work**

- Provide description of estimated fees, explanation of proposed services, and additional information as needed. **The Applicant will not incur cost related to site work.**

- Provide description, calculation, and basis of evaluation for Cash Matching Funds. **N/A**

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. **N/A**



## **8. Demolition and removal**

- Provide description of estimated fees, explanation of proposed services, and additional information as needed. **The Applicant will not incur cost related to demolition or removal.**
- Provide description, calculation, and basis of evaluation for Cash Matching Funds. **N/A**
- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds. **N/A**

## **9. Construction:**\$182,975.00****

- Provide description of estimated fees, explanation of proposed services, state whether the work is being completed by the applicant or an outside contractor, and additional information as needed.

**The construction costs are for lashing distribution fiber and fiber splicing nodes and taps. Construction will be completed by Bowlin Services. Bowlin Services has performed network facilities construction for the Applicant in the past and has done an outstanding job of completing the work in a cost-effective and timely manner.**

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

**The Cash Matching Fund calculation was made by calculating 20% of \$182,975, which is \$36,595.**

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

**There are no In-Kind Matching Funds.**

## **10. Equipment: **\$ 468,660****

- Provide list of equipment with description, number of units, unit cost, state whether it is being purchased or leased, and additional information as needed.

**As set forth below, the unit price and total number of units required for this project are reasonable to deliver the proposed services in the Applicant's proposed funded service area. Please note there is a \$271.00 discrepancy between the "Detail of Project Costs" that was submitted with the Applicant's BTOP application and the "Detail of Project**



Costs” the Applicant prepared as a Supplement to its application. This minor discrepancy was caused by the following errors in calculations:

Type of Equipment	Unit Cost	No. of Units	Original Calculations	Corrected Calculations	Difference
Optical Tape	243.78	125	30,472.31	30,472.5	+.19(1.00) *
Drop Cable	.16	511,500	82,285.01	81,840	-445.01
Fiber Dist. 60cy, 48ct, 36 ct	.46	75,000	34,830	34,500	-330
Fiber 4 ct	.18	132,000	23,245.20	23,760	+514.80
1/2” conduit sdr11	.14	13,200	1,859.88	1848	-11.88
<b>Total Discrepancy</b>					<b>-271.01</b>
*The excel program calculated the \$.19 difference as a \$1.00 difference					

Please be advised that the Applicant will make up this \$271.00 difference in its cash match.

The Applicant will be utilizing CommScope’s BrightPath solution to provide services to the Project Area. The design of the network was engineered by Cable Development Consulting, which is a BrightPath Certified engineering firm. This solution will allow the Applicant to preserve its existing infrastructure and use its existing provisioning, billing, monitoring, and conditional access systems.

Because the Applicant already has an existing broadband system, many of the necessary items to operate in the project area will not need to be purchased. No additional equipment will be needed for network switching. An existing pole line exists throughout the project area. There will be no need for additional operating equipment such as trucks, meters, safety equipment, or office equipment to operate or maintain the new area. The Applicant already owns all equipment necessary for testing the network as well.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

The Cash Matching Fund calculation was made by calculating 20% of \$468,660, which is \$93,732

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.



**There are no In-Kind Matching Funds.**

## **11. Miscellaneous**

- **Provide additional information as needed.**
- **Provide description, calculation, and basis of evaluation of Cash Matching Funds.**
- **Provide description, calculation, and basis of evaluation of In-Kind Matching Funds.**

## **Addendum**

**- If indirect costs (i.e., indirect, overhead, general and administrative, facilities and administration, etc.) and/or fringe benefits are included in the budget, please provide a copy of your existing Negotiated Indirect Cost Recovery Agreement (NICRA), if available. If the NICRA is applied accordingly in the budget, there is no need to justify the costs. If a NICRA is not available or is not consistent with the rates/calculations in the budget, please provide an explanation of how the amounts were calculated. Please clearly list the manner in which indirect costs are calculated in the budget.**

**Indirect costs (i.e., indirect, overhead, general and administrative, facilities and administration, etc.) and/or fringe benefits are not included in the budget.**

# Income Statement

	Historical		Forecast Period				
			Year 1	Year 2	Year 3	Year 4	Year 5
	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
<b>Revenues</b>							
Network Services Revenues:							
Local Voice Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Broadband Data	\$ 94,490	\$ 161,239	\$ 285,802	\$ 277,000	\$ 314,900	\$ 319,500	\$ 326,750
Video Services	\$ 442,575	\$ 509,834	\$ 487,128	\$ 486,000	\$ 544,320	\$ 554,100	\$ 560,450
Network Access Service Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Universal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Toll Service/Long Distance Voice	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installation Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenues	\$ 18,905	\$ 13,581	\$ 5,486	\$ 6,000	\$ 6,780	\$ 6,900	\$ 7,800
Other Revenues	\$ -	\$ -	\$ -	\$ 56,000	\$ 58,000	\$ 60,000	\$ 62,000
Uncollectible Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>\$ 555,970</b>	<b>\$ 684,654</b>	<b>\$ 778,416</b>	<b>\$ 825,000</b>	<b>\$ 924,000</b>	<b>\$ 940,500</b>	<b>\$ 957,000</b>
<b>Expenses</b>							
Backhaul	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Network Maintenance/Monitoring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales/Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Billing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate G&A	\$ 297,313	\$ 284,957	\$ 348,179	\$ 372,552	\$ 398,630	\$ 426,534	\$ 456,391
Other Operating Expense	\$ 424,769	\$ 472,331	\$ 481,101	\$ 514,778	\$ 550,812	\$ 589,369	\$ 630,625
<b>Total</b>	<b>\$ 722,082</b>	<b>\$ 757,288</b>	<b>\$ 829,280</b>	<b>\$ 887,330</b>	<b>\$ 949,442</b>	<b>\$ 1,015,903</b>	<b>\$ 1,087,016</b>
<b>EBITDA</b>	<b>\$ -</b>						
Depreciation	\$ 109,192	\$ 124,393	\$ 131,857	\$ 139,320	\$ 146,982	\$ 151,859	\$ 149,072
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Interest and Taxes</b>	<b>\$ -</b>						
Interest Expense - New RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense - Existing RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Income Before Taxes</b>	<b>\$ -</b>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income</b>	<b>\$ (275,304)</b>	<b>\$ (197,027)</b>	<b>\$ (182,721)</b>	<b>\$ (201,650)</b>	<b>\$ (172,424)</b>	<b>\$ (227,262)</b>	<b>\$ (279,088)</b>

## Question 50

### Financial Assumptions

Please note that the forecasted financial numbers provided were forecasted with the cable system as is.

Assumption #1-Customer base could increase by approximately 682 homes passed, 62% (take rate)=423 subscribers

Assumption #2-Approximate revenue 682 (homes passed) could be equivalent to revenue of \$981.14 per homes passed/possibly totaling \$1581.88 per household

Assumption #3-Approximate cost of new build equals 25 miles/Total Project Cost \$669,136

Assumption #4-Billing, monitoring and conditional access system would require little or no monitoring.

## Statement of Cash Flows

	Historical		Year 1	Year 2	Year 3	Year 4	Year 5
	6/30/2007	6/30/2008					
<b>Beginning Cash</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Net Income	-	-	-	-	-	-	-
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>							
Add: Depreciation	-	-	-	-	-	-	-
Add: Amortization	-	-	-	-	-	-	-
<i>Changes in Current Assets and Liabilities:</i>							
Marketable Securities	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Operations</b>	<b>\$ 1,135,735</b>	<b>\$ 1,017,937</b>	<b>\$ 1,007,937</b>	<b>\$ 1,019,937</b>	<b>\$ 1,016,937</b>	<b>\$ 1,015,000</b>	<b>\$ 1,016,592</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Notes Receivable	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-
Principal Payments	-	-	-	-	-	-	-
New Borrowing	-	-	-	-	-	-	-
Additional Paid-in Capital	-	-	-	-	-	-	-
Additions to Patronage Capital Credits	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-
<b>Net Cash Provided by Financing Activities</b>	<b>\$ (1,398,404)</b>	<b>\$ (919,131)</b>	<b>\$ (1,158,767)</b>	<b>\$ (1,138,767)</b>	<b>\$ (1,153,767)</b>	<b>\$ (1,150,815)</b>	<b>\$ (1,144,820)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Capital Expenditures	-	-	-	-	-	-	-
Amortizable Asset (Net of Amortization)	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-
<b>Net Cash Used by Investing Activities</b>	<b>\$ 2,962</b>	<b>\$ 19,487</b>	<b>\$ 15,603</b>	<b>\$ 16,025</b>	<b>\$ 17,800</b>	<b>\$ 18,030</b>	<b>\$ 18,075</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 520,093</b>	<b>\$ 260,387</b>	<b>\$ 454,760</b>	<b>\$ 431,338</b>	<b>\$ 456,563</b>	<b>\$ 460,414</b>	<b>\$ 466,243</b>
<b>Ending Cash</b>	<b>\$ 260,387</b>	<b>\$ 378,680</b>	<b>\$ 319,533</b>	<b>\$ 328,533</b>	<b>\$ 337,533</b>	<b>\$ 342,629</b>	<b>\$ 351,090</b>

# Balance Sheet

<b>Assets</b>	<b>Historical</b>		<b>6/30/2009</b>	<b>6/30/2010</b>	<b>6/30/2011</b>	<b>6/30/2012</b>	<b>6/30/2013</b>
	<b>6/30/2007</b>	<b>6/30/2008</b>					
<i>Current Assets</i>							
Cash	\$ 260,387	\$ 378,680	\$ 280,412	\$ 334,553	\$ 344,590	\$ 354,928	\$ 365,576
Marketable Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	\$ 949,898	\$ 952,533	\$ 923,870	\$ 936,884	\$ 964,991	\$ 993,941	\$ 1,012,759
Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepayments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Assets	\$ 639,774	\$ 686,221	\$ 662,997	\$ 674,609	\$ 694,847	\$ 715,692	\$ 737,163
<b>Total Current Assets</b>	<b>\$ 1,850,059</b>	<b>\$ 2,017,434</b>	<b>\$ 1,867,279</b>	<b>\$ 1,946,046</b>	<b>\$ 2,004,428</b>	<b>\$ 2,064,561</b>	<b>\$ 2,115,498</b>
<i>Non-Current Assets</i>							
Long-Term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortizable Asset (Net of Amortization)	\$ 86,619	\$ 79,246	\$ 71,873	\$ 64,500	\$ 57,127	\$ 49,754	\$ 42,381
Plant in Service	\$ 17,981,598	\$ 18,408,523	\$ 18,195,060	\$ 18,740,912	\$ 19,303,139	\$ 19,882,233	\$ 20,478,700
Less: Accumulated Depreciation	\$ 8,951,975	\$ 9,600,508	\$ 9,276,245	\$ 9,554,532	\$ 9,841,168	\$ 10,037,991	\$ 10,238,751
<b>Net Plant</b>	<b>\$ 9,029,623</b>	<b>\$ 8,808,015</b>	<b>\$ 8,918,815</b>	<b>\$ 9,186,380</b>	<b>\$ 9,461,971</b>	<b>\$ 9,844,242</b>	<b>\$ 10,239,949</b>
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Non-Current Assets</b>	<b>\$ 9,116,242</b>	<b>\$ 8,887,261</b>	<b>\$ 8,990,688</b>	<b>\$ 9,250,880</b>	<b>\$ 9,519,098</b>	<b>\$ 9,893,996</b>	<b>\$ 10,282,330</b>
<b>Total Assets</b>	<b>\$ 10,966,301</b>	<b>\$ 10,904,695</b>	<b>\$ 10,857,967</b>	<b>\$ 11,196,926</b>	<b>\$ 11,523,526</b>	<b>\$ 11,958,557</b>	<b>\$ 12,397,828</b>
<b>Liabilities and Owners' Equity</b>							
<b>Liabilities</b>							
<i>Current Liabilities</i>							
Accounts Payable	\$ 469,361	\$ 437,016	\$ 453,189	\$ 466,785	\$ 480,789	\$ 495,213	\$ 510,069
Notes Payable	\$ -	\$ 57,461	\$ 60,072	\$ 62,833	\$ 65,704	\$ 68,747	\$ 71,618
Current Portion - Total RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Portion - Other Debt	\$ 190,000	\$ 195,000	\$ 205,000	\$ 210,000	\$ 215,000	\$ 225,000	\$ 115,000
Other Current Liabilities	\$ 322,311	\$ 337,145	\$ 351,979	\$ 362,538	\$ -	\$ -	\$ -
<b>Total Current Liabilities</b>	<b>\$ 981,672</b>	<b>\$ 1,026,622</b>	<b>\$ 1,070,240</b>	<b>\$ 1,102,156</b>	<b>\$ 761,493</b>	<b>\$ 788,960</b>	<b>\$ 696,687</b>
<i>Long-Term Liabilities</i>							
Existing RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing non-RUS Debt	\$ 2,641,039	\$ 2,680,878	\$ 2,428,417	\$ 2,163,345	\$ 1,890,512	\$ 1,609,808	\$ 1,316,061
<b>Total Long-Term Liabilities</b>	<b>\$ 2,641,039</b>	<b>\$ 2,680,878</b>	<b>\$ 2,428,417</b>	<b>\$ 2,163,345</b>	<b>\$ 1,890,512</b>	<b>\$ 1,609,808</b>	<b>\$ 1,316,061</b>
<b>Total Liabilities</b>	<b>\$ 3,622,711</b>	<b>\$ 3,707,500</b>	<b>\$ 3,498,657</b>	<b>\$ 3,265,501</b>	<b>\$ 2,652,005</b>	<b>\$ 2,398,768</b>	<b>\$ 2,012,748</b>
<b>Owner's Equity</b>							
Capital Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid-In Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Patronage Capital Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retained Earnings	\$ 7,343,590	\$ 7,197,195	\$ 7,359,310	\$ 7,931,425	\$ 8,871,521	\$ 9,559,789	\$ 10,385,080
<b>Total Equity</b>	<b>\$ 7,343,590</b>	<b>\$ 7,197,195</b>	<b>\$ 7,359,310</b>	<b>\$ 7,931,425</b>	<b>\$ 8,871,521</b>	<b>\$ 9,559,789</b>	<b>\$ 10,385,080</b>
<b>Total Liabilities and Owner's Equity</b>	<b>\$ 10,966,301</b>	<b>\$ 10,904,695</b>	<b>\$ 10,857,967</b>	<b>\$ 11,196,926</b>	<b>\$ 11,523,526</b>	<b>\$ 11,958,557</b>	<b>\$ 12,397,828</b>



Attorneys at Law

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August 17, 2009

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Ralph B. Kohonen (1935-2008)

All are admitted in Ohio  
<sup>1</sup> Also admitted in Kentucky  
<sup>2</sup> Also admitted in Indiana  
<sup>3</sup> Also admitted in Florida  
<sup>4</sup> Also admitted in Minnesota

Administrator  
Rural Utilities Service  
U.S. Department of Agriculture  
Washington, D.C. 20250-1500

Assistant Secretary  
National Telecommunications and Information Administration  
U.U. Department of Commerce  
Washington, D.C. 20230

**Re: City of Williamstown, Kentucky  
Economic Stimulus Funds**

Dear Sir:

We are general counsel for the City of Williamstown, Kentucky, (the "Applicant"). In such capacity, we act as counsel to the Applicant in connection with its ability to apply to the Broadband Initiatives Program and/or the Broadband Technology Opportunities Program and in the review of the BIP loan/grant combination agreement and the BTOP grant agreement, as referenced in the Notice of Funds Availability.

We are of the opinion that:

- a) the Applicant is a duly organized and existing municipal corporation under the laws of the State of Kentucky.
- b) the Applicant has corporate power; (1) to execute and deliver the grant agreement, loan agreement, or loan/grant combination agreement; and (2) to perform all acts required to be done by it under said agreement.
- c) no legal proceedings have been instituted or are pending against the Applicant, the outcome of which would adversely affect the Applicant's ability to perform the duties under the loan or loan/grant agreement, or adversely affect the security to be pledged under the loan agreement, and there are no judgments against the Applicant and no liens against any of the personal property of the Applicant, which would adversely affect the security to be pledged under the loan or loan/grant agreement; and

Administrator  
Assistant Secretary  
August 17, 2009  
Page 2

d) the Applicant has the power to own its property and carry out its  
business as now conducted.

Sincerely,

KOHNEN & PATTON LLP  
  
Jeffrey C. Shipp

JCS:ac  
350989.1.WI006.GB001  
08/10/2009

## Service Metrics

For establishment of the project area, service metrics are divided into the procurement of materials, lashing of fiber, installation of nodes and optical taps, turn-up and testing, and finally, customer installations.

The Applicant's service level objectives are as follows: Procurement of materials to be completed within the first three months after the grant is awarded. Materials will be divided into outside plant and headend/nodes. Lashing of fiber will begin upon receipt of materials and is to be completed no later than the sixth week of the third quarter. Installation of the nodes and optical taps will begin as soon as the location of the unit has all necessary fiber lashed in place and is phase is to be completed no later than the second week of the third quarter. Turn-up and testing of a section will take place as soon as that section is completed to include all standards fiber testing and the installation of one customer per node with service. Upon passing all standard tests, customers will begin to be put on the system in the first month of the fourth quarter.

Approach for monitoring service delivery and service quality:

Multiple monitoring systems are in place with the Applicant's existing system and will be implemented into the system covering the project area. Monitoring of the IP infrastructure is provided by Nagios Monitoring Systems and will monitor the CMTS, Gateway, CALEA probe, and all switches.

BER/MER requirements are based upon DOCSIS specifications for end-of-line measurements with an additional 3dB headspace giving a MER minimum of 30dB for 64QAM and BER minimum of  $10^{-8}$  post FEC.

Standards set forth by the Society of Cable Telecommunications Engineers for VOIP, Digital RF and RFOG will be used as a minimum requirement.



**NATIONAL  
CABLE TELEVISION  
COOPERATIVE, INC.**

August 13, 2009

Mr. Roy Osborne  
Williamstown Cable TV  
400 N Main St  
Williamstown KY 41097

**RE: Williamstown Cable TV / NCTC Hardware and Equipment procurement**

To whom it may concern,

The National Cable Television Cooperative, Inc. (NCTC) is a Kansas not-for-profit corporation that operates as a programming and hardware purchasing organization for its member companies who own and operate cable systems throughout the United States and its territories. NCTC is located in Lenexa, Kansas.

Williamstown Cable TV became a member of NCTC in 1998 and is currently a member in good standing with the enterprise in all regards. Williamstown Cable TV procures video programming content, hardware and equipment and other services via the NCTC in support of its operational and other business needs.

In the period August 2008 through July 2009, Williamstown Cable TV purchased approximately \$18.5k in hardware and equipment via NCTC. The average adjusted monthly run rate for typical purchasing activity is roughly \$1.5k and includes manufacturers and vendors such as SMC Networks, TVC Inc., Tescoco Technologies and others. There are a wide variety of manufacturers and vendor products generally available to Williamstown Cable TV and other NCTC members in good standing via NCTC's contractual arrangements with these vendors that cover virtually every aspect of broadband network construction, maintenance and management.

Further inquiry regarding Williamstown Cable TV's relationship and purchasing activity with NCTC is welcome and should be directed to NCTC via Williamstown Cable TV.

Sincerely,

Scott Abbott  
Executive Vice President

**SUBSCRIBER PROJECTION TABLE AND RATE PLANS  
VOICE SERVICES**

**COMPLETE THE CHART BELOW FOR EACH PROPOSED FUNDED SERVICE AREA. FOR ALL  
OTHER SERVICE AREAS, PLEASE PREPARE A CHART THAT AGGREGATES THIS  
INFORMATION**

SERVICE AREA NAME: The City of Corinth, KY and the Other Areas in Grant County and Owen County, KY

	Census Community	Year 1		Year 2		Year 3		Year 4		Year 5	
		R	B	R	B	R	B	R	B	R	B
		e	u	e	u	e	u	e	u	e	u
		s	s	s	s	s	s	s	s	s	s
1	Corinth, KY	0	0	0	0	0	0	0	0	0	0
2	Other Areas of Grant County, KY	0	0	0	0	0	0	0	0	0	0
3	Other Areas of Owen County, KY	0	0	0	0	0	0	0	0	0	0
4											
5											
6											
7											
8											
9											
10											
<b>TOTAL</b>											

Other (Specify): The Applicant plans to provide Voice Services in the next two years, but does not have projections regarding these services



## ATTACHMENT C – COMPETITOR TABLE – LAST MILE

**Existing Last Mile Broadband Service Providers and Services Offered:** Please complete a table describing the competing last mile providers’ broadband service offerings being advertised in each proposed funded service area (BIP applicants should complete this table for each census designated community within the proposed funded service area) . For each competitor, explain the following: a) technology; b) service tiers; c) advertised speeds for residential and business; d) pricing. Include any other comments to explain your findings, if necessary.

Corinth, KY and Other Area of Grant County, KY and Owen County, KY								
Service Area	Last Mile Services Provider	Technology Platform	Service Tier	Advertised Residential Offering		Advertised Business Offering		Other Comments
				Downstream Speed (Mbps)	Price	Downstream Speed (Mbps)	Price	
Corinth, KY	No providers		Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered
			Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered
Other Areas in Grant County, KY	No providers		Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered
			Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered
Other Areas in Owen County, KY	No providers		Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered
			Entry Level Plan					No service offered
			Highest Speed Plan					No service offered
			Other Plans (e.g., Mid-Tier Plan)					No service offered

## ATTACHMENT C – COMPETITOR TABLE – MIDDLE MILE

**Existing Middle Mile Broadband Service Providers and Services Offered:** Please complete a table describing the competing middle mile providers’ broadband service offerings being advertised in the last mile service areas associated with the proposed middle mile project. **For BIP**, please provide this information for each census designated community within each last mile service area. For each competitor, explain the following: a) technology; b) service tiers; c) point-to-point of the competitor’s service offering; d) speed; and e) pricing. Include any other comments to explain your findings if necessary.

<Applicant Service Area Name>							
Service Area	Middle Mile Services Provider	Technology Platform	Service Tier	Point-to-Point	Minimum Peak Load Network Bandwidth Capacity	Pricing	Other Comments
<b>Service Area 1/ Census community 1</b>	<b>Provider A</b>		Entry Level Plan				
			Highest Speed Plan				
			Other Plans (e.g., Mid-Tier Plan)				
	<b>Provider B</b>		Entry Level Plan				
			Highest Speed Plan				
			Other Plans (e.g., Mid-Tier Plan)				
<b>Service Area 2/ Census community 2</b>	<b>Provider A</b>		Entry Level Plan				
			Highest Speed Plan				
			Other Plans (e.g., Mid-Tier Plan)				
	<b>Provider B</b>		Entry Level Plan				
			Highest Speed Plan				
			Other Plans (e.g., Mid-Tier Plan)				

**VIDEO SERVICES  
SUBSCRIBER PROJECTS AND RATE PLANS  
COMPLETE THE CHART BELOW FOR EACH PROPOSED FUNDED SERVICE AREA. FOR ALL OTHER SERVICE AREAS, PLEASE  
PREPARE A CHART THAT AGGREGATES THIS INFORMATION**

SERVICE AREA NAME: Corinth, Ky

	Census Community	Year 1			Year2			Year3			Year 4			Year 5		
		Basic	Expanded Basic	Digital	Basic	Expanded Basic	Digital	Basic	Expanded Basic	Digital	Basic	Expanded Basic	Digital	Basic	Expanded Basic	Digital
1	Corinth	2	131	20	2	198	32	2	222	36	2	247	41	2	268	43
2	Other areas in Grant County	1	22	3	1	33	5	1	37	6	1	41	6	1	44	7
3	Other areas in Owen County	1	30	6	1	45	8	1	50	9	1	56	10	1	61	11
4																
5																
6																
7																
8																
9																
10																
Total																

Rates:

Basic: 19 channels / \$15.95

Expanded Basic: 92 channels / \$34.95

Digital Services: 92 channels, PPV, I-Guide, DMX, various premium packages with assortment of combinations and discounts.



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**CITY OF WILLIAMSTOWN, KENTUCKY**

**JUNE 30, 2008**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT*

**CITY OF WILLIAMSTOWN, KENTUCKY  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2008 on our consideration of the City of Williamstown, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

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

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 10, 2008

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

As management of the City of Williamstown, Kentucky (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets decreased \$214,400. Net assets of governmental activities increased \$95,100, which represents a 2.7 percent increase from fiscal year 2007. Net assets of the business-type activities, decreased \$309,600 or 3.1 percent from fiscal year 2007.
- Governmental activities general revenues accounted for \$1.6 million in revenue or 80.3 percent of all governmental activity revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$404,200 or 19.7 percent of total governmental activity revenues.
- The City had \$2.0 million in expenses related to governmental activities; only \$404,200 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and grants and entitlements) of \$1.6 million were adequate to provide for these programs.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

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

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Fund Financial Statements**

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

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

**Notes to the Financial Statements**

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

**Government-Wide Financial Analysis**

The perspective of the statement of net assets is of the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and Other Assets	\$ 455	\$ 388	\$ 2,373	\$ 2,357	\$ 2,828	\$ 2,745
Capital Assets, Net	<u>3,404</u>	<u>3,396</u>	<u>11,564</u>	<u>11,767</u>	<u>14,968</u>	<u>15,163</u>
Total Assets	<u>3,859</u>	<u>3,784</u>	<u>13,937</u>	<u>14,124</u>	<u>17,796</u>	<u>17,908</u>
<b>Liabilities</b>						
Current and Other Liabilities	283	303	1,639	1,557	1,922	1,860
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>2,681</u>	<u>2,641</u>	<u>2,681</u>	<u>2,641</u>
Total Liabilities	<u>283</u>	<u>303</u>	<u>4,320</u>	<u>4,198</u>	<u>4,603</u>	<u>4,501</u>
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	3,404	3,396	8,631	8,936	12,035	12,332
Reserved	65	24	293	260	358	284
Unrestricted	<u>107</u>	<u>61</u>	<u>693</u>	<u>730</u>	<u>800</u>	<u>791</u>
Total Net Assets	<u>\$ 3,576</u>	<u>\$ 3,481</u>	<u>\$ 9,617</u>	<u>\$ 9,926</u>	<u>\$ 13,193</u>	<u>\$ 13,407</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13.2 million as of June 30, 2008.

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

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**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

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

Total assets decreased \$112,000, current assets increased \$83,000, and capital assets decreased by \$195,000. These changes are combined with an increase in accounts payable and other current liabilities of \$62,000 and an increase in long term debt payable of \$40,000 resulting in a decrease in net assets of \$214,000.

Net assets of the City's governmental activities increased \$95,000. The net assets of the City's business-type activities decreased \$309,000.

Table 2 reflects the change in net assets for fiscal year 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 154	\$ 143	\$ 6,888	\$ 6,147	\$ 7,042	\$ 6,290
Operating Capital Grants and Contributions	250	72	100	-	350	72
Total Program Revenues	404	215	6,988	6,147	7,392	6,362
<b>General Revenues</b>						
Property Taxes	672	574	-	-	672	574
Licenses and Permits	363	351	-	-	363	351
Interest	8	2	8	9	16	11
Transfers	434	507	(434)	(507)	-	-
Other Revenues	171	127	79	48	250	175
Total General Revenues	1,648	1,561	(347)	(450)	1,301	1,111
Total Revenues	2,052	1,776	6,641	5,697	8,693	7,473

(Continued)

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Program Expenses</b>						
General Government	\$ 431	\$ 374	\$ -	\$ -	\$ 431	\$ 374
Police	625	554	-	-	625	554
Fire	134	88	-	-	134	88
Streets	341	471	-	-	341	471
Cemetery	30	24	-	-	30	24
Sanitation	121	104	-	-	121	104
Recreation	11	12	-	-	11	12
Main Street	31	28	-	-	31	28
Maintenance and Repairs	51	22	-	-	51	22
Utility Operation	-	-	6,049	5,038	6,049	5,038
Sewer Operation	-	-	901	795	901	795
Depreciation	182	152	-	-	182	152
<b>Total Expenses</b>	<u>1,957</u>	<u>1,829</u>	<u>6,950</u>	<u>5,833</u>	<u>8,907</u>	<u>7,662</u>
Increase (Decrease) in Net Assets	\$ <u>95</u>	\$ <u>(53)</u>	\$ <u>(309)</u>	\$ <u>(136)</u>	\$ <u>(214)</u>	\$ <u>(189)</u>

**Governmental Activities**

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

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

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government	\$ 431	\$ 374	\$ 431	\$ 374
Police	625	554	475	534
Fire	134	88	130	88
Streets	341	471	245	420
Cemetery	30	24	(12)	-
Sanitation	121	104	9	(16)
Recreation	11	12	11	12
Main Street	31	28	31	28
Maintenance and Repairs	51	22	51	22
Depreciation	182	152	182	152
<b>Total Expenses</b>	<u>\$ 1,957</u>	<u>\$ 1,829</u>	<u>\$ 1,553</u>	<u>\$ 1,614</u>

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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**Business-Type Activities**

The business-type activities of the City consisted of the utility and sewer enterprise funds. These activities had revenues of \$7.1 million and expenses and transfers of \$7.4 million for fiscal year 2008. Total revenues increased \$871,000 and expenses and transfers increased \$1.0 million from the prior fiscal year.

**The City's Funds**

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

**General Fund Budgeting Highlights**

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

For the General Fund, budgeted revenues and other financing sources, in the amount of \$2.3 million, exceeded actual revenues and other financing sources in the amount of \$2.0 million. The major difference comes from the difference in grants and contributions.

Expenditures and other financing uses were budgeted at \$2.4 million while actual expenditures were \$1.9 million.

General Fund revenues and other financing sources were more than expenditures and other financing uses by \$93,000.

**CITY OF WILLIAMSTOWN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2008, the City had \$15.0 million invested in capital assets.

Table 4 reflects fiscal year 2008 balances compared to fiscal year 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Construction In Progress	\$ 533	\$ 503	\$ 196	\$ 5	\$ 729	\$ 508
Buildings and Building Improvements	1,909	1,967	-	-	1,909	1,967
Infrastructure	507	470	-	-	507	470
Furniture and Fixtures	24	28	-	-	24	28
General Equipment	431	428	-	-	431	428
Water System	-	-	5,641	5,922	5,641	5,922
Electric System	-	-	965	903	965	903
Cable T.V. System	-	-	2,202	2,205	2,202	2,205
Sewer System	-	-	2,560	2,732	2,560	2,732
	<u>\$ 3,404</u>	<u>\$ 3,396</u>	<u>\$ 11,564</u>	<u>\$ 11,767</u>	<u>\$ 14,968</u>	<u>\$ 15,163</u>

**Debt**

At June 30, 2008, the City had \$2.9 million in outstanding bonds and notes payable.

**Current Issues**

The new Sewer Plant is planned for the future as well as the Lake Expansion project. Both projects will be submitted for Federal and State funding.

**Contacting the City's Financial Management**

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

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 224,751	\$ 175,645	\$ 400,396
Accounts Receivable			
Property Taxes	22,899	-	22,899
Accounts	92,042	1,058,400	1,150,442
Intergovernmental	2,421	-	2,421
Accrued Interest Receivable	1,910	4,889	6,799
Bond Issuance Costs (Net of Accumulated Amortization of \$34,046)	-	79,246	79,246
Due from Other Funds	110,488	762,241	872,729
Restricted Assets - Cash	-	292,609	292,609
<b>Total Current Assets</b>	<u>454,511</u>	<u>2,373,030</u>	<u>2,827,541</u>
<b>Capital Assets</b>			
Land and Construction in Progress	532,769	196,051	728,820
Depreciable Capital Assets	3,637,344	26,317,414	29,954,758
Less Accumulated Depreciation	(765,759)	(14,949,104)	(15,714,863)
<b>Total Capital Assets</b>	<u>3,404,354</u>	<u>11,564,361</u>	<u>14,968,715</u>
<b>Total Assets</b>	<u>3,858,865</u>	<u>13,937,391</u>	<u>17,796,256</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	78,637	481,515	560,152
Other Current Liabilities	29,758	53,436	83,194
Due to Other Funds	145,679	727,050	872,729
Customer Deposits	-	73,977	73,977
Accrued Interest Payable	-	9,925	9,925
Compensated Absences Payable	29,083	41,130	70,213
Current Portion of Bonds Payable	-	195,000	195,000
Current Portion of Notes Payable	-	57,461	57,461
<b>Total Current Liabilities</b>	<u>283,157</u>	<u>1,639,494</u>	<u>1,922,651</u>
<b>Long-Term Liabilities</b>			
Bonds Payable - Long-Term Portion	-	2,450,268	2,450,268
Notes Payable - Long-Term Portion	-	230,610	230,610
<b>Total Long-Term Liabilities</b>	<u>-</u>	<u>2,680,878</u>	<u>2,680,878</u>
<b>Total Liabilities</b>	<u>283,157</u>	<u>4,320,372</u>	<u>4,603,529</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,404,354	8,631,022	12,035,376
Reserved for Debt Service	-	292,609	292,609
Unreserved	106,842	693,388	800,230
Fund Balances			
Reserved for Municipal Aid	61,926	-	61,926
Reserved for LGEA	2,586	-	2,586
<b>Total Net Assets</b>	<u>\$ 3,575,708</u>	<u>\$ 9,617,019</u>	<u>\$ 13,192,727</u>

See accompanying notes

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2008

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 430,841	\$ -	\$ -	\$ -	\$ (430,841)
Police	624,632	-	150,050	-	(474,582)
Fire	134,279	-	3,804	-	(130,475)
Streets	341,250	-	96,091	-	(245,159)
Cemetery	30,124	42,465	-	-	12,341
Sanitation	120,655	111,769	-	-	(8,886)
Recreation	11,426	-	-	-	(11,426)
Main Street	31,364	-	-	-	(31,364)
Maintenance and Repairs	50,974	-	-	-	(50,974)
Depreciation	181,526	-	-	-	(181,526)
<b>Total Governmental Activities</b>	<b>1,957,071</b>	<b>154,234</b>	<b>249,945</b>	<b>-</b>	<b>(1,552,892)</b>
<b>Business-Type Activities</b>					
Utility Fund	6,049,077	6,228,831	-	100,000	279,754
Sewer Fund	901,239	659,307	-	-	(241,932)
<b>Total Business-Type Activities</b>	<b>6,950,316</b>	<b>6,888,138</b>	<b>-</b>	<b>100,000</b>	<b>37,822</b>
<b>Total Government</b>	<b>\$ 8,907,387</b>	<b>\$ 7,042,372</b>	<b>\$ 249,945</b>	<b>\$ 100,000</b>	<b>(1,515,070)</b>
Property Taxes Levied for General Purposes					672,214
Licenses and Permits					363,272
Unrestricted Investment Earnings					7,908
Miscellaneous					170,451
Operating Transfers					434,178
<b>Total General Revenues</b>					<b>1,648,023</b>
Change in Net Assets					95,131
<b>Net Assets July 1, 2007</b>					<b>3,480,577</b>
<b>Net Assets June 30, 2008</b>					<b>\$ 3,575,708</b>
					<b>\$ 9,617,019</b>
					<b>\$ 13,192,727</b>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
 June 30, 2008

	<b>General Fund</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 224,751
Accounts Receivable	
Property Taxes	22,899
Accounts	92,042
Intergovernmental	2,421
Accrued Interest Receivable	1,910
Due from Other Funds	110,488
<b>Total Assets</b>	<b>\$ 454,511</b>
 <b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 78,637
Other Accrued Liabilities	29,758
Due to Other Funds	145,679
Deferred Revenue	22,899
<b>Total Liabilities</b>	<b>276,973</b>
 <b>Fund Balances</b>	
Reserved for	
Municipal Aid	61,926
LGEA	2,586
Unreserved	113,026
<b>Total Fund Balances</b>	<b>177,538</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 454,511</b>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO**  
**THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

<b>Total Fund Balances - Governmental Fund</b>	\$ 177,538
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

Cost of Capital Assets	\$ 4,170,113	
Accumulated Depreciation	<u>(765,759)</u>	
		3,404,354

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	22,899
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	<u>(29,083)</u>
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<b>Total Net Assets - Governmental Activities</b>	<b>\$ <u>3,575,708</u></b>
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See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2008**

	<b>General Fund</b>
<b>Revenues</b>	
Property Taxes	\$ 649,315
Licenses and Permits	363,272
Grants and Contributions	363,342
Charges for Services	154,234
Total Revenues	1,530,163
<b>Expenditures</b>	
General Government	431,766
Police	637,736
Fire	138,017
Streets	407,982
Cemetery	30,124
Sanitation	120,655
Recreation	11,426
Main Street	31,364
Maintenance and Capital Outlay	127,538
Total Expenditures	1,936,608
Deficit of Revenues Over Expenditures	(406,445)
<b>Other Financing Sources</b>	
Interest	7,908
Other	57,054
Operating Transfers In	434,178
Total Other Financing Sources	499,140
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	92,695
<b>Fund Balance July 1, 2007</b>	<b>84,843</b>
<b>Fund Balance June 30, 2008</b>	<b>\$ 177,538</b>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO  
 THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2008

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

**Change in Fund Balances - Total Governmental Fund** \$ 92,695

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

Depreciation Expense	\$ (181,526)	
Capital Outlay	<u>190,146</u>	<u>8,620</u>

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 22,899

In the Statement of Activities, compensated absences (accrued vacation and sick) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in long-term accumulated vacation and sick leave. (29,083)

**Change in Net Assets - Governmental Activities** \$ 95,131

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues</b>				
Property Taxes	\$ 600,000	\$ 600,000	\$ 649,315	\$ 49,315
Licenses and Permits	370,000	370,000	363,272	(6,728)
Grants and Contributions	681,500	681,500	363,342	(318,158)
Charges for Services	133,900	133,900	154,234	20,334
<b>Total Revenues</b>	<u>1,785,400</u>	<u>1,785,400</u>	<u>1,530,163</u>	<u>(255,237)</u>
<b>Expenditures</b>				
General Government	415,800	415,800	431,766	(15,966)
Police	720,900	720,900	637,736	83,164
Fire	150,000	150,000	138,017	11,983
Streets	434,200	434,200	407,982	26,218
Cemetery	29,900	29,900	30,124	(224)
Sanitation	105,000	105,000	120,655	(15,655)
Recreation	16,100	16,100	11,426	4,674
Main Street	38,150	38,150	31,364	6,786
Maintenance and Capital Outlay	524,800	524,800	127,538	397,262
<b>Total Expenditures</b>	<u>2,434,850</u>	<u>2,434,850</u>	<u>1,936,608</u>	<u>498,242</u>
<b>(Deficit) Excess of Revenues Over Expenditures</b>	<u>(649,450)</u>	<u>(649,450)</u>	<u>(406,445)</u>	<u>243,005</u>
<b>Other Financing Sources</b>				
Interest	2,200	2,200	7,908	5,708
Other	28,600	28,600	57,054	28,454
Operating Transfers In (Out)	528,960	528,960	434,178	(94,782)
<b>Total Other Financing Sources and (Uses)</b>	<u>559,760</u>	<u>559,760</u>	<u>499,140</u>	<u>(60,620)</u>
<b>(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(89,690)</u>	<u>(89,690)</u>	<u>92,695</u>	<u>182,385</u>
<b>Fund Balance July 1, 2007</b>	<u>84,843</u>	<u>84,843</u>	<u>84,843</u>	<u>-</u>
<b>Fund Balance June 30, 2008</b>	<u>\$ (4,847)</u>	<u>\$ (4,847)</u>	<u>\$ 177,538</u>	<u>\$ 182,385</u>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Business-Type Activities		
	Enterprise Funds		
	Utility Fund	Sewer Fund	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 86,071	\$ 89,574	\$ 175,645
Restricted Cash	292,609	-	292,609
<b>Total Cash</b>	<b>378,680</b>	<b>89,574</b>	<b>468,254</b>
Accounts Receivable			
Customers	952,533	105,867	1,058,400
Accrued Interest Receivable	4,889	-	4,889
Due from Other Funds	681,332	80,909	762,241
Bond Issuance Costs (Net of Accumulated Amortization of \$34,046)	79,246	-	79,246
<b>Total Current Assets</b>	<b>2,096,680</b>	<b>276,350</b>	<b>2,373,030</b>
Capital Assets			
Construction in Progress	-	196,051	196,051
Depreciable Capital Assets	18,408,523	7,908,891	26,317,414
Less Accumulated Depreciation	(9,600,508)	(5,348,596)	(14,949,104)
<b>Total Capital Assets</b>	<b>8,808,015</b>	<b>2,756,346</b>	<b>11,564,361</b>
<b>Total Assets</b>	<b>10,904,695</b>	<b>3,032,696</b>	<b>13,937,391</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	437,016	44,499	481,515
Other Current Liabilities	47,472	5,964	53,436
Due to Other Funds	174,747	552,303	727,050
Customer Deposits	73,977	-	73,977
Accrued Interest Payable	9,925	-	9,925
Compensated Absences Payable	31,024	10,106	41,130
Current Portion of Bonds Payable	195,000	-	195,000
Current Portion of Notes Payable	57,461	-	57,461
<b>Total Current Liabilities</b>	<b>1,026,622</b>	<b>612,872</b>	<b>1,639,494</b>
Long-Term Liabilities			
Bonds Payable	2,450,268	-	2,450,268
Notes Payable	230,610	-	230,610
<b>Total Long-Term Liabilities</b>	<b>2,680,878</b>	<b>-</b>	<b>2,680,878</b>
<b>Total Liabilities</b>	<b>3,707,500</b>	<b>612,872</b>	<b>4,320,372</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,874,676	2,756,346	8,631,022
Reserved for Debt Service	292,609	-	292,609
Unreserved	1,029,910	(336,522)	693,388
<b>Total Net Assets</b>	<b>\$ 7,197,195</b>	<b>\$ 2,419,824</b>	<b>\$ 9,617,019</b>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for Services			
Electric Services	\$ 4,188,642	\$ -	\$ 4,188,642
Water Services	1,312,325	-	1,312,325
Cable TV Services	684,654	-	684,654
Sewer Services	-	659,307	659,307
Other Operating Revenues	43,210	78,566	121,776
	<u>6,228,831</u>	<u>737,873</u>	<u>6,966,704</u>
<b>Total Operating Revenues</b>			
<b>Operating Expenses</b>			
Personnel Services	1,146,496	328,326	1,474,822
Contractual Services	3,862,454	279,377	4,141,831
Materials and Supplies	251,435	32,693	284,128
Depreciation and Amortization	655,906	234,150	890,056
Miscellaneous	18,520	2,416	20,936
	<u>5,934,811</u>	<u>876,962</u>	<u>6,811,773</u>
<b>Total Operating Expenses</b>			
Operating Income (Loss)	<u>294,020</u>	<u>(139,089)</u>	<u>154,931</u>
<b>Other Income (Expense)</b>			
Interest Income	8,029	194	8,223
Capital Grants and Contributions	100,000	-	100,000
Interest Expense	(114,266)	(24,277)	(138,543)
Fund Transfer Out	(434,178)	-	(434,178)
	<u>(440,415)</u>	<u>(24,083)</u>	<u>(464,498)</u>
<b>Total Other Expense</b>			
Change in Net Assets	(146,395)	(163,172)	(309,567)
<b>Net Assets July 1, 2007</b>	<u>7,343,590</u>	<u>2,582,996</u>	<u>9,926,586</u>
<b>Net Assets June 30, 2008</b>	<u>\$ 7,197,195</u>	<u>\$ 2,419,824</u>	<u>\$ 9,617,019</u>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers	\$ 6,235,067	\$ 760,834	\$ 6,995,901
Cash Paid to/for			
Employees	(1,152,376)	(327,239)	(1,479,615)
Contractual Services	(3,862,454)	(279,377)	(4,141,831)
Supplies	(302,300)	(20,980)	(323,280)
Net Cash Provided by Operating Activities	<u>917,937</u>	<u>133,238</u>	<u>1,051,175</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Fund Transfer (Out) In	<u>(479,283)</u>	<u>45,106</u>	<u>(434,177)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments on Bonds Payable	(181,542)	-	(181,542)
Proceeds from Notes Payable	325,437	-	325,437
Payments on Notes Payable	(37,366)	-	(37,366)
Interest Expense	(119,452)	(24,277)	(143,729)
Acquisition of Capital Assets	<u>(426,925)</u>	<u>(253,141)</u>	<u>(680,066)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(439,848)</u>	<u>(277,418)</u>	<u>(717,266)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Income	<u>19,487</u>	<u>194</u>	<u>19,681</u>
Net Change in Cash	118,293	(98,880)	19,413
<b>Cash and Cash Equivalents July 1, 2007</b>	<u>260,387</u>	<u>188,454</u>	<u>448,841</u>
<b>Cash and Cash Equivalents June 30, 2008</b>	<u>\$ 378,680</u>	<u>\$ 89,574</u>	<u>\$ 468,254</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 294,020	\$ (139,089)	\$ 154,931
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation and Amortization	655,906	234,150	890,056
Change in Assets and Liabilities			
Accounts Receivable	(2,635)	22,961	20,326
Accounts Payable	(32,345)	14,129	(18,216)
Other Current Liabilities	(5,880)	1,087	(4,793)
Customer Deposits	<u>8,871</u>	<u>-</u>	<u>8,871</u>
Net Cash Provided by Operating Activities	<u>\$ 917,937</u>	<u>\$ 133,238</u>	<u>\$ 1,051,175</u>

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

See accompanying notes.

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

**NOTE 1 – ACCOUNTING POLICIES**

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

**The Reporting Entity**

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

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

**Use of Estimates**

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

**Basis of Presentation**

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

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

The City has the following funds:

**I. Governmental Fund Types**

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

**II. Proprietary Fund Types (Enterprise Fund)**

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

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

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

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

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

Expenses are recognized at the time they are incurred.

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

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

**Budgets**

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

**Stewardship, Compliance and Accountability**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

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

**Cash and Cash Equivalents**

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

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Building and Building Improvements	10 - 40 Years
Infrastructure	15 - 25 Years
General Equipment	5 - 15 Years
Water System	5 - 50 Years
Electric System	5 - 30 Years
Cable T.V. System	5 - 30 Years
Sewer System	5 - 30 Years

**Restricted Assets**

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

**Compensated Absences**

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

Employees accrue unused accumulated sick leave up to a maximum of 950 hours. Under the City's policy, employees can utilize sick leave only when sick or upon retirement. Since the employees' accumulating rights to receive compensation for unused accumulated sick leave are contingent upon the absences being caused by illnesses or retirement and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

**Fund Equity**

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

**Interfund Transactions**

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

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

**Advertising**

All advertising costs are expensed to operations when incurred.

**NOTE 2 – DEPOSITS**

It is the policy of the City to invest public funds in a manner that will provide the highest investment with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and city regulations governing the investments of public funds.

The City is authorized to invest in:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

*Custodial Credit Risk – Deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2008, \$200,000 of the City's deposits are insured by the FDIC, and \$819,129 of the City's deposits are collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name. As of June 30, 2008, the City did not have any deposits in excess of insured and/or collateralized amounts.

For purposes of the cash flows statement, cash includes cash in checking accounts and short-term deposits with an initial maturity of ninety days or less. Restricted cash held in escrow for the purpose of debt service is not included in cash for this statement.

**NOTE 3 – PROPERTY TAXES RECEIVABLE**

Property taxes attached as an enforceable lien on property as of January 1, 2007. Taxes were levied in August, 2007, and were due and payable at that time. All unpaid taxes levied in August become delinquent January 1 of the following year.

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

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The City begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the City's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, the City has estimated no allowance for doubtful accounts at June 30, 2008 because it expects no material losses.

## NOTE 5 – PROPERTY AND EQUIPMENT

Capital Asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 502,769	\$ 30,000	\$ -	\$ 532,769
Depreciable Capital Assets				
Street Improvements	532,630	70,911	-	603,541
Building and Building Improvements	2,218,463	8,059	-	2,226,521
Furniture and Fixtures	44,287	-	-	44,287
General Equipment	681,818	81,176	-	762,995
Total Depreciable Capital Assets	3,477,198	160,146	-	3,637,344
Total Capital Assets at Historical Cost	3,979,967	190,146	-	4,170,113
Less: Accumulated Depreciation				
Street Improvements	62,624	33,216	-	95,840
Building Improvements	251,945	65,072	-	317,017
Furniture and Fixtures	16,353	4,336	-	20,689
General Equipment	253,311	78,902	-	332,213
Total Accumulated Depreciation	584,233	181,526	-	765,759
Depreciable Capital Assets, Net	2,892,965	(21,380)	-	2,871,585
Governmental Activities Capital Assets, Net	\$ 3,395,734	\$ 8,620	\$ -	\$ 3,404,354
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 5,300	\$ 190,751	\$ -	\$ 196,051
Depreciable Capital Assets				
Water System	11,989,830	160,020	-	12,149,850
Electric System	3,133,368	145,433	-	3,278,801
Cable TV System	2,858,400	121,473	-	2,979,873
Sewer System	7,846,501	62,389	-	7,908,890
Total Depreciable Capital Assets	25,828,099	489,315	-	26,317,414
Total Capital Assets at Historical Cost	25,833,399	680,066	-	26,513,462
Less: Accumulated Depreciation				
Water System	6,067,628	440,921	-	6,508,549
Electric System	2,230,867	83,219	-	2,314,086
Cable TV System	653,480	124,393	-	777,873
Sewer System	5,114,446	234,150	-	5,348,596
Total Accumulated Depreciation	14,066,421	882,683	-	14,949,104
Depreciable Capital Assets, Net	11,761,678	(393,368)	-	11,368,310
Business-Type Activities Capital Assets, Net	\$11,766,978	\$ (202,617)	\$ -	\$11,564,361

**NOTE 5 – PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Prior to 1980, the City of Williamstown did not maintain a record of general fixed assets and proprietary fund fixed assets. The City conducted an inventory of its property, plant and equipment to determine costs or estimated costs by reviewing contracts, engineering reports, minutes of City Council meetings and actual disbursement records to the extent practical in the circumstances.

**NOTE 6 – NOTES/BONDS PAYABLE**

**Utility System Revenue Refunding Bonds, Series 2003**

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

On March 1, 2004, the City issued utility revenue refunding bonds of \$1,075,000; with interest rates varying from 1.875% to 4.190% to advance refund the 1993 water revenue bonds. The new issue redeemed the outstanding 1993 bonds maturing after June 1, 2005 in the principal amount of \$930,000 on June 1, 2004 at the redemption price of 102%.

The outstanding balance at June 30, 2008 is \$535,000, payments on which are due June 1 of each year through 2013. The City incurred deferred refunding costs in the amount of \$42,288, which were capitalized and netted against the outstanding balance of the bonds. The deferred refunding costs are being written off over 10 years as a component of interest expense.

**Utility System Revenue Refunding Bonds, Series 2004**

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

The Outstanding balance at June 30, 2008 is \$2,130,000, payments on which are due June 1, of each year through 2024.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2008 for debt service, (principal and interest) are as follows:

Fiscal Years Ending June 30,	Bonds		
	Principal	Interest	Total
2009	\$ 195,000	\$ 119,098	\$ 311,098
2010	205,000	112,368	317,368
2011	210,000	104,830	314,830
2012	215,000	96,640	311,640
2013	225,000	88,040	313,040
2014	115,000	78,930	193,930
2015	120,000	74,100	194,100
2016	125,000	69,000	194,000
2017	130,000	62,750	192,750
2018	140,000	56,250	196,250

(Continued)

**NOTE 6 – NOTES/BONDS PAYABLE (Continued)**

Fiscal Years Ending June 30,	Bonds		
	Principal	Interest	Total
2019	\$ 145,000	49,250	194,250
2020	150,000	42,000	192,000
2021	160,000	34,500	194,500
2022	170,000	26,500	196,500
2023	175,000	18,000	193,000
2024	<u>185,000</u>	<u>8,890</u>	<u>193,890</u>
Totals	<u>2,665,000</u>	<u>\$ 1,041,145</u>	<u>\$ 3,706,145</u>
Unamortized Deferred Refunding Costs	<u>(19,732)</u>		
Net Bonds Payable Business-Type Activities	<u>\$ 2,645,268</u>		

The following is a summary of the City's bond transactions for the year ended June 30, 2008:

	Outstanding July 1, 2007	Additions of New Debt	Repayments	Outstanding June 30, 2008	Amounts Expected to be Paid Within One Year
Bonds Payable	\$ <u>2,855,000</u>	\$ <u>-</u>	\$ <u>190,000</u>	\$ <u>2,665,000</u>	\$ <u>195,000</u>

**Other Note Payable**

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

	\$ 288,071
Less Current Portion	<u>57,461</u>
Long-Term Portion	<u>\$ 230,610</u>

**NOTE 6 – NOTES/BONDS PAYABLE (Continued)**

The remaining maturity on the note payable is as follows:

<u>Years Ending June 30,</u>	
2009	\$ 57,461
2010	60,072
2011	62,833
2012	65,704
2013	68,747
2014-2015	<u>102,817</u>
	417,634
Less: Proceeds Not Received at June 30, 2008	<u>(187,024)</u>
Total	<u>\$ 230,610</u>

**NOTE 7 – CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Management the resolution of these matters will not result in a material uninsured liability to the City.

**NOTE 8 – INTEREST EXPENSE**

Interest expense for the year ended June 30, 2008 consisted of the following:

Proprietary Funds	
Interest Expense on Utility Revenue Refunding Bonds, Series 2003	\$ 23,725
Interest Expense on Utility Revenue Refunding Bonds, Series 2004	100,031
Interest Expense on Kentucky League of Cities Note Payable	10,558
Deferred Refunding Costs	<u>4,229</u>
	<u>\$ 138,543</u>

**NOTE 9 – EMPLOYEES' RETIREMENT PLAN**

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

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

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

Participating employees contribute 5% of the creditable compensation (8% for hazardous duty participants). Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 16.17% of the employees' compensation (33.87% for hazardous duty participants) during the fiscal year ended June 30, 2008.

The City of Williamstown's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$305,103, \$234,588 and \$188,264, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

**NOTE 10 – CONTINGENCIES**

The City receives funding from federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 11 – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**SCHEDULE OF CURRENT EXPENDITURES**  
**GENERAL FUND**

Year Ended June 30, 2008

	General Government	Police	Fire	Streets	Cemetery	Sanitation	Recreation	Main Street	Maintenance and Capital Outlay	Total
<b>Expenditures</b>										
Salaries	\$ 139,213	\$ 327,848	\$ 34,880	\$ 180,059	\$ -	\$ -	\$ -	\$ 25,553	\$ -	\$ 707,553
Medical Insurance	23,841	60,652	11,662	48,777	-	-	-	-	-	144,932
FICA	13,385	23,167	2,455	13,313	-	-	-	1,983	-	54,303
Employee Retirement	21,573	106,174	11,326	26,596	-	-	-	-	-	165,669
Workers Compensation	79	1,560	-	1,836	-	-	-	-	-	3,475
Advertising and Printing	3,055	-	-	-	-	-	-	-	-	3,055
Professional Fees	93,551	-	-	-	-	-	-	-	-	93,551
Insurance	505	-	14,872	737	-	-	-	-	-	16,114
Economic Development	24,737	-	-	-	-	-	-	-	-	24,737
Planning and Zoning	25,950	-	-	-	-	-	-	-	-	25,950
Other Contractual Services	2,889	14,609	10,808	2,218	-	-	1,227	-	-	31,751
Education and Training	2,184	2,215	4,469	758	-	-	-	124	-	9,750
Repairs and Maintenance	8,186	393	4,854	36,483	1,944	-	1,433	-	-	53,293
Travel and Lodging	6,733	-	-	-	-	-	-	-	-	6,733
Utilities	24,194	-	10,663	-	-	-	5,742	-	-	40,599
Communications and Postage	6,530	10,225	1,607	1,528	-	-	806	667	-	21,363
Dues and Subscriptions	6,954	-	-	-	-	-	-	-	-	6,954
Office Supplies	4,687	3,278	-	-	-	-	-	2,285	-	10,250
City Festivals	17,195	-	-	-	-	-	-	-	-	17,195
Contributions	2,675	-	-	-	-	-	-	-	-	2,675
Miscellaneous	3,550	43,882	2,940	6,383	-	-	348	752	-	57,855
Vehicle Maintenance	100	37,313	16,079	18,477	-	-	-	-	-	71,969
Technical Supplies	-	3,591	-	236	-	-	-	-	-	3,827
Uniforms	-	2,829	2,147	731	-	-	-	-	-	5,707
Equipment Parts	-	-	7,908	5,138	-	-	704	-	-	13,750
Other Material and Supplies	-	-	1,347	9,307	-	-	166	-	-	10,820
Municipal Aid/LGEA	-	-	-	55,405	-	-	-	-	-	55,405
Graves	-	-	-	-	19,050	-	-	-	-	19,050
Cemetery Sexton	-	-	-	-	6,600	-	-	-	-	6,600
Trustee Fees	-	-	-	-	2,530	-	-	-	-	2,530
Waste Collection	-	-	-	-	-	120,655	-	-	-	120,655
Park Play Contract	-	-	-	-	-	-	1,000	-	-	1,000
Maintenance and Capital Outlay	-	-	-	-	-	-	-	-	127,538	127,538
<b>Total General Fund Current Expenditures</b>	<b>\$ 431,766</b>	<b>\$ 637,736</b>	<b>\$ 138,017</b>	<b>\$ 407,982</b>	<b>\$ 30,124</b>	<b>\$ 120,655</b>	<b>\$ 11,426</b>	<b>\$ 31,364</b>	<b>\$ 127,538</b>	<b>\$ 1,936,608</b>

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended June 30, 2008**

	All Proprietary Fund Types					
	Utility Fund				Sewer Fund Total	Total
	Electric System	Water System	Cable T.V. System	Total		
<b>Operating Revenues</b>						
Charges for Services	\$ 4,188,642	\$ 1,312,325	\$ 684,654	\$ 6,185,621	\$ 659,307	\$ 6,844,928
Tap In Fees	-	33,325	-	33,325	46,042	79,367
Lift Station	-	-	-	-	29,672	29,672
Reconnects	1,160	-	-	1,160	-	1,160
Miscellaneous	8,725	-	-	8,725	2,852	11,577
<b>Total Operating Revenues</b>	<b>4,198,527</b>	<b>1,345,650</b>	<b>684,654</b>	<b>6,228,831</b>	<b>737,873</b>	<b>6,966,704</b>
<b>Operating Expenses</b>						
<b>Personnel Services</b>						
Salaries	309,970	282,336	193,607	785,913	227,448	1,013,361
Medical Insurance	77,253	53,006	39,168	169,427	47,605	217,032
FICA	23,434	21,027	14,187	58,648	16,374	75,022
Employee Retirement	51,495	46,621	29,585	127,701	35,382	163,083
Workers' Compensation	(2,801)	2,295	5,313	4,807	1,517	6,324
<b>Total Personnel Services</b>	<b>459,351</b>	<b>405,285</b>	<b>281,860</b>	<b>1,146,496</b>	<b>328,326</b>	<b>1,474,822</b>
<b>Contractual Services</b>						
System Repairs/Maintenance	(4,948)	52,934	2,956	50,942	85,792	136,734
Utilities	3,067,641	126,947	27,022	3,221,610	135,162	3,356,772
Other Contract Service	62,588	20,938	123,643	207,169	25,083	232,252
Education and Training	3,730	1,358	2,154	7,242	191	7,433
Lab Tests	-	8,639	-	8,639	8,321	16,960
Communications and Postage	15,757	4,138	6,854	26,749	3,099	29,848
Insurance	2,655	-	627	3,282	(510)	2,772
Advertising and Printing	-	630	-	630	-	630
Professional Fees	7,551	6,620	5,512	19,683	3,396	23,079
Royalties	-	-	250,123	250,123	-	250,123
Vehicle Maintenance	12,951	41,672	11,762	66,385	18,843	85,228
<b>Total Contractual Services</b>	<b>3,167,925</b>	<b>263,876</b>	<b>430,653</b>	<b>3,862,454</b>	<b>279,377</b>	<b>4,141,831</b>
<b>Materials and Supplies</b>						
Equipment Parts	360	792	1,567	2,719	657	3,376
Technical Supplies	391	57,860	18,677	76,928	110	77,038
Uniforms	538	142	548	1,228	659	1,887
Chemicals and Chlorine	-	93,880	-	93,880	27,708	121,588
Lab Materials	-	4,506	-	4,506	3,559	8,065
Construction Materials	43,425	-	14,078	57,503	-	57,503
Office Supplies	12,201	-	2,470	14,671	-	14,671
<b>Total Materials and Supplies</b>	<b>56,915</b>	<b>157,180</b>	<b>37,340</b>	<b>251,435</b>	<b>32,693</b>	<b>284,128</b>
<b>Depreciation and Amortization</b>	<b>83,219</b>	<b>448,294</b>	<b>124,393</b>	<b>655,906</b>	<b>234,150</b>	<b>890,056</b>
<b>Miscellaneous</b>						
Dues and Subscriptions	3,294	1,446	1,724	6,464	637	7,101
Safety Committee	2,417	-	-	2,417	-	2,417
Miscellaneous	1,895	2,033	5,711	9,639	1,779	11,418
<b>Total Miscellaneous</b>	<b>7,606</b>	<b>3,479</b>	<b>7,435</b>	<b>18,520</b>	<b>2,416</b>	<b>20,936</b>
<b>Total Operating Expenses</b>	<b>3,775,016</b>	<b>1,278,114</b>	<b>881,681</b>	<b>5,934,811</b>	<b>876,962</b>	<b>6,811,773</b>
<b>Operating Income (Loss)</b>	<b>423,511</b>	<b>67,536</b>	<b>(197,027)</b>	<b>294,020</b>	<b>(139,089)</b>	<b>154,931</b>
<b>Non-Operating Revenues and (Expenses)</b>						
Interest Income	8,029	-	-	8,029	194	8,223
Capital Grants and Contributions	-	100,000	-	100,000	-	100,000
Interest Expense	-	(114,266)	-	(114,266)	(24,277)	(138,543)
<b>Total Non-Operating Revenues and (Expenses)</b>	<b>8,029</b>	<b>(14,266)</b>	<b>-</b>	<b>(6,237)</b>	<b>(24,083)</b>	<b>(30,320)</b>
<b>Income (Loss) Before Transfers</b>	<b>431,540</b>	<b>53,270</b>	<b>(197,027)</b>	<b>287,783</b>	<b>(163,172)</b>	<b>124,611</b>
<b>Operating Transfers Out</b>	<b>(163,287)</b>	<b>(270,891)</b>	<b>-</b>	<b>(434,178)</b>	<b>-</b>	<b>(434,178)</b>
<b>Change in Net Assets</b>	<b>\$ 268,253</b>	<b>\$ (217,621)</b>	<b>\$ (197,027)</b>	<b>\$ (146,395)</b>	<b>\$ (163,172)</b>	<b>\$ (309,567)</b>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Williamstown, Kentucky as of and for the year ended June 30, 2008, which collectively comprise the City of Williamstown, Kentucky's basic financial statements and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Finding 2008-1

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

Honorable Mayor  
Members of the City Council  
City of Williamstown, Kentucky  
December 10, 2008  
Page Two

Management's Response

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above as item 2008-1 to be a material weakness.

Compliance and Other Matters

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

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 10, 2008

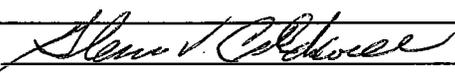
## DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352

Approved by OMB

0348-0046

(See reverse for public burden disclosure.)

<b>1. Type of Federal Action:</b> <input type="checkbox"/> a. contract <input checked="" type="checkbox"/> b. grant c. cooperative agreement d. loan e. loan guarantee f. loan insurance	<b>2. Status of Federal Action:</b> <input checked="" type="checkbox"/> a. bid/offer/application b. initial award c. post-award	<b>3. Report Type:</b> <input checked="" type="checkbox"/> a. initial filing b. material change <b>For Material Change Only:</b> year _____ quarter _____ date of last report _____
<b>4. Name and Address of Reporting Entity:</b> <input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known:  City of Williamstown 400 N. Main Street Williamstown, KY 41097  <b>Congressional District, if known:</b> 4th	<b>5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime:</b>   <b>Congressional District, if known:</b>	
<b>6. Federal Department/Agency:</b> Department of Agriculture Rural Utilities Service	<b>7. Federal Program Name/Description:</b> Broadband Initiative Program  <b>CFDA Number, if applicable:</b> 10.787	
<b>8. Federal Action Number, if known:</b>	<b>9. Award Amount, if known:</b> \$	
<b>10. a. Name and Address of Lobbying Registrant</b> <i>(if individual, last name, first name, MI):</i> None	<b>b. Individuals Performing Services</b> <i>(including address if different from No. 10a)</i> <i>(last name, first name, MI):</i> None	
<b>11.</b> Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semi-annually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.	<b>Signature:</b> <u></u> <b>Print Name:</b> <u>Glenn V. Caldwell</u> <b>Title:</b> <u>Mayor</u> <b>Telephone No.:</b> <u>(859) 824-3606</u> <b>Date:</b> <u>Aug 11, 2009</u>	
<b>Federal Use Only:</b>		Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)