

CITY OF WILDER, KENTUCKY

JUNE 30, 2018

FINANCIAL STATEMENTS



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

City of Wilder, Kentucky
520 Licking Pike
Wilder, KY 41071

To the Honorable Mayor
and Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wilder, Kentucky (City) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wilder, Kentucky, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, and pension information, as listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

April 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Wilder, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's governmental funds fund balance was \$2,934,952 at year end, an increase of \$415,851 from the prior year. The City's cash balance was \$2,052,854 at year end, an increase of \$178,853 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health is* improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, license fee base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, the City has only governmental activities:

Governmental activities: the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. License fees, property taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Civic Center Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Road Aid Fund).

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended June 30, 2018, net position changed as follows:

Beginning net position	\$ 5,598,392
Prior period adjustment	67,294
Change in net position	<u>(143,510)</u>
Ending net position	<u>\$ 5,522,176</u>

	<u>2018</u>	<u>2017</u>
Current assets	\$ 3,114,539	\$ 2,542,014
Capital assets	<u>6,638,168</u>	<u>6,359,894</u>
Total assets	9,752,707	8,901,908
Deferred outflows of resources	2,623,492	1,464,937
Current liabilities	216,300	54,645
Net pension liability	<u>6,239,939</u>	<u>4,689,436</u>
Total liabilities	6,456,239	4,744,081
Deferred inflows of resources	<u>397,784</u>	<u>24,372</u>
Net position	<u>\$ 5,522,176</u>	<u>\$ 5,598,392</u>

GENERAL FUND BUDGETARY HIGHLIGHTS AND FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Actual revenues were \$736,553 more than budget and actual expenditures were \$160,054 less than budget.

The following schedule presents a summary of governmental fund revenues and expenditure for the fiscal years ended June 30, 2018 and 2017.

Revenues	<u>2018</u>	<u>2017</u>
Taxes	\$ 2,052,854	\$ 1,972,257
Licenses and permits	2,212,088	2,078,789
Intergovernmental	185,651	147,327
Charges for services	94,634	74,850
Fines and forfeitures	869	5,375
Interest income	5,585	2,082
Other revenue	<u>155,372</u>	<u>120,209</u>
Total revenues	<u>\$ 4,707,053</u>	<u>\$ 4,400,889</u>
Expenditures		
General government	\$ 960,614	\$ 880,675
Police	1,117,995	1,026,930
Fire	1,396,457	1,412,357
Public works	235,670	205,635
Recreation	29,800	31,991
Capital outlay	617,960	489,775
Debt service	<u> </u>	<u>216,248</u>
Total expenditures	<u>\$ 4,358,496</u>	<u>\$ 4,263,611</u>

CAPITAL ASSETS

At the end of June 30, 2018, the City had \$10,783,095 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and sidewalks.

	<u>2018</u>	<u>2017</u>
Land	\$ 1,359,911	\$ 1,359,911
Investment in joint venture	112,191	112,191
Buildings	3,594,347	3,594,347
Infrastructure	3,004,357	2,494,486
Vehicles	1,500,079	1,429,430
Equipment	<u>1,212,210</u>	<u>1,193,268</u>
Total capital assets	<u>\$ 10,783,095</u>	<u>\$ 10,183,633</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide for all those with an interest in the government's finances, a general overview of the City's finances. If you have questions about this report or requests for additional financial information, contact the City Administrator's office at 520 Licking Pike, Wilder, Kentucky 41071.

City of Wilder, Kentucky
Statement of Net Position
June 30, 2018

	Primary Government	
	Governmental Activities	Total
Assets:		
Cash and cash equivalents	\$ 1,953,555	\$ 1,953,555
Restricted cash	322,211	322,211
Receivables:		
Taxes	218,385	218,385
Accounts	579,850	579,850
Assessment	17,382	17,382
Intergovernmental	16,474	16,474
Interest	6,682	6,682
Capital assets, net of depreciation	6,638,168	6,638,168
Total assets	9,752,707	9,752,707
Deferred outflows of resources		
Related to pensions	2,623,492	2,623,492
Total assets and deferred outflows of resources	12,376,199	12,376,199
Liabilities:		
Accounts payable	54,701	54,701
Payroll related liabilities	94,993	94,993
Compensated absences	54,785	54,785
Deferred revenue	11,821	11,821
Net pension liability	6,239,939	6,239,939
Total liabilities	6,456,239	6,456,239
Deferred inflows of resources		
Related to pensions	397,784	397,784
Total liabilities and deferred inflows of resources	6,854,023	6,854,023
Net position:		
Net investment in capital assets	6,638,168	6,638,168
Restricted	322,211	322,211
Unrestricted	(1,438,203)	(1,438,203)
Total net position	\$ 5,522,176	\$ 5,522,176

City of Wilder, Kentucky
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 1,095,349	\$ 94,634	\$ 15,780	\$ 0	\$ (984,935)
Police	1,183,870		61,846		(1,122,024)
Fire	1,448,949		45,833		(1,403,116)
Public works	331,035		62,190		(268,845)
Recreation	32,680				(32,680)
Change in pension	765,360				(765,360)
Total governmental activities	<u>4,857,243</u>	<u>94,634</u>	<u>185,649</u>	<u>0</u>	<u>(4,576,960)</u>
Total primary government	<u>\$ 4,857,243</u>	<u>\$ 94,634</u>	<u>\$ 185,649</u>	<u>\$ 0</u>	<u>(4,576,960)</u>
General revenues:					
Taxes					2,052,854
Licenses and permits					2,212,088
Fines and forfeitures					869
Other revenues					155,372
Investment income					<u>12,267</u>
Total general revenues					<u>4,433,450</u>
Change in net position					(143,510)
Prior period adjustment					67,294
Net position - beginning					<u>5,598,392</u>
Net position - ending					<u>\$ 5,522,176</u>

The accompanying notes are an integral part of these financial statements.

City of Wilder, Kentucky
 Balance Sheet
 Governmental Funds
 June 30, 2018

	General Fund	Municipal Road Aid Fund	Civic Center Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,149,200	\$	\$ 804,355	\$ 1,953,555
Restricted cash	219,039	103,172		322,211
Receivables:				
Taxes	224,058			224,058
Assessment	17,382			17,382
Licenses	579,850			579,850
Intergovernmental	10,651	5,823		16,474
Total assets	\$ 2,200,180	\$ 108,995	\$ 804,355	\$ 3,113,530
Liabilities:				
Accounts payable	\$ 54,701	\$	\$	\$ 54,701
Payroll liabilities	94,993			94,993
Deferred revenue	28,884			28,884
Total liabilities	178,578	0	0	178,578
Restricted	219,039	108,995		328,034
Unassigned	1,802,563		804,355	2,606,918
Total fund balances	2,021,602	108,995	804,355	2,934,952
Total liabilities and fund balances	\$ 2,200,180	\$ 108,995	\$ 804,355	\$ 3,113,530

City of Wilder, Kentucky
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2018

Total governmental fund balances	\$ 2,839,129
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,638,168
Some assets are not currently available and are therefore not reported in the funds	18,072
Deferred outflows related to pensions	2,623,492
Deferred outflows related to pensions	(397,784)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(54,785)
Net pension liability	<u>(6,239,939)</u>
Net position of governmental activities	<u><u>\$ 5,426,353</u></u>

City of Wilder, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Municipal Road Aid Fund	Civic Center Fund	Total Governmental Funds
Revenues				
Taxes	\$ 2,052,854	\$	\$	\$ 2,052,854
Licenses and permits	2,212,088			2,212,088
Intergovernmental	123,461	62,190		185,651
Charges for services	94,634			94,634
Fines and forfeitures	869			869
Interest income	1,397	402	3,786	5,585
Other revenue	155,372			155,372
Total revenues	4,640,675	62,592	3,786	4,707,053
Expenditures				
Current				
General government	960,614			960,614
Public safety - police	1,117,995			1,117,995
Public safety - fire	1,396,457			1,396,457
Public works	235,665	5		235,670
Recreation	29,800			29,800
Capital outlay	617,960			617,960
Total expenditures	4,358,491	5	0	4,358,496
Deficiency of revenues over expenditures	282,184	62,587	3,786	348,557
Other financing sources (uses):				
Sale of assets	0			0
Transfers in	753,187		483,187	1,236,374
Transfers out	(483,187)	(270,000)	(483,187)	(1,236,374)
Total other financing sources (uses)	270,000	(270,000)	0	0
Net change in fund balances	552,184	(207,413)	3,786	348,557
Prior period adjustment	62,439	4,855		67,294
Fund balances - beginning	1,406,979	311,553	800,569	2,519,101
Fund balances - ending	\$ 2,021,602	\$ 108,995	\$ 804,355	\$ 2,934,952

The accompanying notes are an integral part of these financial statements.

City of Wilder, Kentucky
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 315,173

Amounts reported for governmental activities in the statement of
 activities are difference because:

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities, the cost of those assets is allocated
 over their estimated useful lives and reported as depreciation expense.

Capital outlay	599,463
Depreciation expense	(321,188)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	6,682
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Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds Compensated absences	(11,664)
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Governmental funds report pension contribution as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense	(765,360)
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Change in net position of governmental activities	<u><u>\$ (176,894)</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTE 1 – ACCOUNTING POLICIES

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

A. The Reporting Entity

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

B. Basis of Presentation

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

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

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

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

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

C. Fund Accounting

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

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

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

Municipal Road Aid Fund – The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.

Civic Center Fund – The civic center fund is a city designated fund for use on the city building and civic center.

D. Measurement Focus

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government – wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

E. 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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future operating period.

Taxes and assessments not received within the available period are recorded as deferred inflows in the governmental fund financial statements.

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

F. Budgetary Data

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.

G. 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.

H. Capital Assets

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

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

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

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

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from

governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

J. Interfund Balances

On the fund financial statements, unpaid amounts for interfund services are reported as “due from/to other funds”. These amounts are eliminated in the statement of net position.

K. Interfund Activity

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

L. Fund Balance

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

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

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

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

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

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

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

M. Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Extraordinary and Special Items

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

P. Subsequent Events

The City evaluated subsequent events for potential recognition and disclosure through January 24, 2019, the date the financial statements were available to be issued.

Q. Prior Period Adjustments

The City restated its beginning fund balance and net assets to reflect its interest in the volunteer fire department.

NOTE 2 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City’s total cash and cash equivalents of \$1,874,001 was covered by Federal Deposit Insurance Corporation (FDIC) and by collateral agreements and collateral held by the pledging bank’s trust department in the City’s name.

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.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is summarized below:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>June 30, 2018</u>
Governmental activities				
Land	\$ 1,359,911	\$	\$	\$ 1,359,911
Investment in joint venture	112,191			112,191
Buildings	3,594,347			3,594,347
Infrastructure	2,494,486	509,871		3,004,357
Vehicles	1,429,430	70,649		1,500,079
Equipment	1,193,268	18,942		1,212,210
Total capital assets	<u>10,183,633</u>	<u>599,462</u>	<u>-</u>	<u>10,783,095</u>
Accumulated depreciation				
Buildings	1,065,124	71,887	-	1,137,011
Infrastructure	800,995	119,914	-	920,909
Vehicles	849,188	105,740	-	954,928
Equipment	1,108,432	23,647	-	1,132,079
Total accumulated depreciation	<u>3,823,739</u>	<u>321,188</u>	<u>-</u>	<u>4,144,927</u>
Net governmental capital assets	<u>\$ 6,359,894</u>	<u>\$ 278,274</u>	<u>\$ -</u>	<u>\$ 6,638,168</u>

NOTE 4 - COMPENSATED ABSENCES

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2018, accrued compensated absences is \$54,785.

NOTE 6 – CONTINGENCIES

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

NOTE 7 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2018, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 8 – THE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – The City contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. CERS provides for retirement, disability and death benefits.

Contributions – Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The Government's contribution rate for nonhazardous employees was 17.67 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 34.31 percent.

Benefits provided—Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of

87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

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

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City were as follows:

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City's proportionate share of the CERS net pension liability

Hazardous	\$	5,716,068
Non-hazardous		523,871
		6,239,939
Total	\$	6,239,939

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's proportion was 0.255% percent for non-hazardous and 0.009% for hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$1,274,551 related to CERS. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF WILDER, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 210,309	\$ 13,298
Changes in assumptions	1,236,893	
Net difference between projected and actual earnings on pension plan investments	416,417	359,987
Changes in proportion and differences between City contributions and proportionate share of contributions	250,787	24,499
City contributions subsequent to the measurement date	509,086	
	<u>\$ 2,623,492</u>	<u>\$ 397,784</u>

\$509,086 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	748,023
2020	765,085
2021	272,612
2022	(69,098)
2023	-

Actuarial assumptions—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	3.25%
Projected salary increases	4.00%
Discount rate	6.25%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were

developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.25%	6.25%	7.25%
Hazardous	\$ 7,186,919	\$ 5,176,068	\$ 4,501,359
Non-hazardous	660,715	523,871	409,402
Net pension liability	\$ 7,847,634	\$ 5,699,939	\$ 4,910,761

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

City of Wilder, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,580,000	\$ 1,580,000	\$ 2,052,854	\$ 472,854
Licenses and permits	2,081,972	2,081,972	2,212,088	130,116
Intergovernmental	105,200	105,200	123,461	18,261
Fines and forfeitures	2,300	2,300	869	(1,431)
Charges for services	90,000	90,000	94,634	4,634
Interest income	0	0	1,397	1,397
Other revenue	44,650	44,650	155,372	110,722
Total revenues	3,904,122	3,904,122	4,640,675	736,553
Expenditures				
Current				
General government	979,303	1,120,119	960,614	159,505
Public safety - police	1,270,478	1,270,478	1,117,995	152,483
Public safety - fire	1,352,333	1,352,333	1,396,457	(44,124)
Public works	665,201	665,201	235,665	429,536
Recreation	106,807	110,414	29,800	80,614
Capital outlay			617,960	(617,960)
Total expenditures	4,374,122	4,518,545	4,358,491	160,054
Excess (deficiency) of revenues over expenditur	(470,000)	(614,423)	282,184	576,499
Other financing sources (uses):				
Sale of assets			0	0
Transfers in			753,187	753,187
Transfers out			(483,187)	483,187
Total other financing sources (uses)	0	0	270,000	1,236,374
Net change in fund balances	(470,000)	(614,423)	552,184	1,812,873
Fund balances - beginning	470,000	614,423	1,406,979	792,556
Fund balances - ending	\$ 0	\$ 0	\$ 1,959,163	\$ 1,959,163

The accompanying notes are an integral part of these financial statements.

City of Wilder, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Municipal Road Aid Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 62,190	\$ 2,190
Interest income	<u>300</u>	<u>300</u>	<u>402</u>	<u>102</u>
Total revenues	<u>60,300</u>	<u>60,300</u>	<u>62,592</u>	<u>2,292</u>
Expenditures				
Public works	<u>347,705</u>	<u>347,705</u>	<u>5</u>	<u>347,700</u>
Total expenditures	<u>347,705</u>	<u>347,705</u>	<u>5</u>	<u>347,700</u>
Excess (deficiency) of revenues over expenditures	<u>(287,405)</u>	<u>(287,405)</u>	<u>62,587</u>	<u>349,992</u>
Other financing sources (uses):				
Transfers out	<u> </u>	<u> </u>	<u>(270,000)</u>	<u>270,000</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(270,000)</u>	<u>270,000</u>
Net change in fund balances	(287,405)	(287,405)	(207,413)	619,992
Prior period adjustment			4,855	
Fund balances - beginning	<u>316,805</u>	<u>316,805</u>	<u>311,553</u>	<u>(5,252)</u>
Fund balances - ending	<u>\$ 29,400</u>	<u>\$ 29,400</u>	<u>\$ 108,995</u>	<u>\$ 614,740</u>

The accompanying notes are an integral part of these financial statements.

City of Wilder, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Civic Center Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Interest income	\$ 9,538	\$ 9,538	\$ 3,786	\$ (5,752)
Total revenues	<u>9,538</u>	<u>9,538</u>	<u>3,786</u>	<u>(5,752)</u>
Deficiency of revenues over expenditures	<u>9,538</u>	<u>9,538</u>	<u>3,786</u>	<u>(5,752)</u>
Other financing sources (uses):				
Transfers in			483,187	483,187
Transfers out			<u>(483,187)</u>	<u>483,187</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>-</u>	<u>966,374</u>
Net change in fund balances	9,538	9,538	3,786	960,622
Fund balances - beginning	<u>794,754</u>	<u>794,754</u>	<u>800,569</u>	<u>5,815</u>
Fund balances - ending	<u>\$ 804,292</u>	<u>\$ 804,292</u>	<u>\$ 804,355</u>	<u>\$ 63</u>

The accompanying notes are an integral part of these financial statements.

City of Wilder, Kentucky
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
Non-hazardous

Schedule of City's Proportionate Share of the Net Pension Liability
County Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Non-hazardous:			
City's proportion of the net pension liability	0.009%	0.009%	0.028%
City's proportionate share of the net pension liability	\$ 523,871	\$ 459,900	\$ 434,023
City's covered employee payroll	\$ 317,190	\$ 328,421	\$ 290,528
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.16%	140.03%	149.39%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.32%	59.97%
Contractually required contribution	\$ 60,837	\$ 61,349	\$ 49,518
Contributions in relation to the contractually required contribution	<u>60,837</u>	<u>61,349</u>	<u>49,518</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 317,190	\$ 328,421	\$ 290,258
Contributions as a percentage of covered-employee payroll	19.18%	18.68%	17.06%

City of Wilder, Kentucky
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
Hazardous

Schedule of City's Proportionate Share of the Net Pension Liability
County Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.255%	0.246%	0.230%
City's proportionate share of the net pension liability	5716068	\$ 4,229,536	\$ 3,264,744
City's covered employee payroll	\$ 1,420,754	\$ 1,343,561	\$ 1,287,633
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	402.33%	314.80%	253.55%
Plan fiduciary net position as a percentage of the total pension liability	5395.00%	53.32%	59.97%
 Hazardous			
Contractually required contribution	\$ 448,248	\$ 417,310	\$ 424,275
Contributions in relation to the contractually required contribution	<u>448,248</u>	<u>417,310</u>	<u>424,275</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,420,754	\$ 1,343,561	\$ 1,287,633
Contributions as a percentage of covered-employee payroll	31.55%	31.06%	32.95%

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Wilder, Kentucky (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 8, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies might exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-01 - 2018-03 to be material weaknesses.

Compliance and Other Matters

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

City of Wilder, Kentucky Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maddox & Associates CPAs Inc.

April 8, 2019

Fort Thomas, Kentucky

2018-01 The City Did Not Follow Its Employee Policy In The Payment of Accrued Vacation Leave

The City's Personnel Policy Chapter 13, Section 4 (A) states that no worker will receive pay in lieu of vacation. We noted instances where city employees received payment in lieu of vacation.

This condition is a result of management being able to override the controls provided for in the policy without it being detected or corrected by the City.

Internal controls are designed to safeguard assets and prevent losses from employee dishonesty or error. The City needs to ensure an adequate internal control structure that does not allow management to override written policies.

The City should implement sufficient supervisory review of policies and controls and ensure that staff is adequately trained.

City of Wilder, Mayor Robert Arnold's Response:

The previous Mayor permitted employees to be paid for accrued vacation time. This practice is under review and will either not be permitted or the policy manual will be changed to reflect this practice.

2018-02 The City Did Not Have Proper Documentation To Support Expenditures

The City is required to demonstrate the public purpose of all disbursements. We noted instances where there was no support showing the public purpose of expenditures.

This condition is a result of poorly designed policies and procedures as well as inconsistent, incomplete, and inaccurate implementation of controls.

Internal controls are designed to safeguard assets and prevent losses from employee dishonesty or error. The City needs to ensure an adequate internal control structure that does not allow unauthorized expenditures.

The City should implement sufficient supervisory review of policies and controls and ensure that staff is adequately trained.

City of Wilder, Mayor Robert Arnold's Response:

It was a standard practice under the supervision of the previous Mayor to allow the fire chief to have undocumented expenses. This was the only line item in the budget where this practice was allowed. The city will no longer approve expenditures of the fire chief or any other employee / department within the city without the proper documentation.

2018-03 The City Paid Employees Prior To Services Being Performed

We noted instances where employees were paid in advance of work being performed. The City's is required to only pay for work performed and is not permitted to advance pay employees. The Personnel Policy does not address this issue.

This condition is a result of management being able to override the controls necessary for good stewardship of taxpayer assets without it being detected or corrected by the City.

Internal controls are designed to safeguard assets and prevent losses from employee dishonesty or error. The City needs to ensure an adequate internal control structure that does not allow employee payments to be made in advance of the work being performed.

The City should implement sufficient supervisory review of policies and controls and ensure that staff is adequately trained.

City of Wilder, Mayor Robert Arnold's Response:

Currently the city payroll period is weekly. The previous Mayor permitted employees to be paid in advance before the week the employee was leaving for vacation or being off during the following payroll period. This practice will no longer be permitted. The city is also considering other measures that would prevent this, such as using a third party to administer payroll.