

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2014

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# **Marr, Miller & Myers, PSC**

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

## **INDEPENDENT AUDITOR'S REPORT**

November 3, 2014

The Honorable Mayor and Members of the City Council  
City of Williamsburg  
Williamsburg, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg (the "City"), as of and for the year ended June 30, 2014, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 City'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 City'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.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 15-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

As management of the City of Williamsburg (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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 through 10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. 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.

### **Reporting the City as a Whole**

#### **The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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. The accruals 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, what the citizens own, and liabilities, what the citizens owe, 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 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, we divide the City into two kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, street, sanitation, water park, recreation and general administration. Municipal insurance tax, property taxes, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer activities are reported here.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements begin on page 11 and 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 may establish many other funds to help it control and manage money for particular purposes (for example, capital projects) or to show that it is meeting legal responsibilities for grant funds (Municipal Aid Road Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

CITY OF WILLIAMSBURG  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

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 two reconciliations on pages 12 and 14.

Proprietary fund: When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Net Position for the period ending June 30, 2014**

Fiscal year 2014 government-wide net position of the primary government compared to 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,834,603	\$ 2,610,197
Noncurrent assets	<u>32,684,473</u>	<u>32,743,257</u>
Total Assets	<u>\$ 35,519,076</u>	<u>\$ 35,353,454</u>
Current liabilities	\$ 1,509,844	\$ 1,825,385
Noncurrent liabilities	<u>7,360,204</u>	<u>7,376,287</u>
Total Liabilities	<u>\$ 8,870,048</u>	<u>\$ 9,201,672</u>
Net position		
Investment in capital assets, net of related debt	\$ 24,601,927	\$ 24,068,378
Restricted	965,618	914,315
Unrestricted	<u>1,081,483</u>	<u>1,169,089</u>
Total Net Position	<u>\$ 26,649,028</u>	<u>\$ 26,151,782</u>

**Governmental Activities**

The following table presents a summary of the primary government revenues and expenditures, for the General Fund only, for the fiscal years ended June 30:

	<u>2014</u>		<u>2013</u>	
	Amount	Percent	Amount	Percent
<b>REVENUES</b>				
Taxes	\$ 1,844,835	45.20%	\$ 1,843,052	46.62%
Sanitation department	726,380	17.80	714,570	18.08
Police department	190,548	4.67	154,267	3.90
Recreation department	17,110	.42	12,872	.33
Fire department	37,114	.90	27,585	.70
Water park	1,150,557	28.19	1,103,472	27.91
Earnings on investments	4,389	.10	6,787	.17

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
General government	111,065	2.72	90,710	2.29
<b>TOTAL REVENUES</b>	<u>4,081,998</u>	<u>100.00</u>	<u>3,953,315</u>	<u>100.00</u>
<b>EXPENDITURES</b>				
General government	908,901	22.27	912,497	23.08
Police department	950,408	23.28	947,056	23.96
Fire department	393,804	9.65	342,505	8.66
Street department	79,659	1.95	73,170	1.85
Sanitation department	521,394	12.77	528,120	13.35
Recreation department	95,666	2.34	165,689	4.19
Water park	1,397,996	34.25	1,458,481	36.90
<b>TOTAL EXPENDITURES</b>	<u>4,347,828</u>	<u>106.51</u>	<u>4,427,518</u>	<u>111.99</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (265,830)</u>	<u>(6.51)%</u>	<u>\$ (474,203)</u>	<u>(11.99)%</u>

In reviewing the net income (loss), the City showed a net loss before transfers of \$265,830 at June 30, 2014, as compared to a net loss before transfers of \$474,203 at June 30, 2013. Revenues increased \$128,683. Expenditures decreased \$79,690.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council did not revise the General Fund budget. The current year budget relied on the expectation of moderate increases in property and municipal insurance tax. The actual results showed increases in overall tax revenue of \$56,885 as compared to budget. The water park revenue was \$4,943 under budget and the water park expenditures were under budget by \$247,504. The end result was that actual net revenues for the water park were \$242,561 more than budget. The City ended the year with a fund balance that was \$72,623 more than what was budgeted.

Actual revenues for the year, as compared to budget, were \$130,168 more than the budgeted amount.

Actual expenditures for the year, as compared to budget, were \$337,002 less than the budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the City had \$19,321,944 invested in capital assets for governmental funds. This represents a net increase of \$139,638.

A comparison of capital assets, governmental activities, at June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 3,417,032	\$ 3,417,032
Buildings, improvements and infrastructure	5,919,805	5,919,805
Recreation facilities	6,953,263	6,950,263
Equipment	3,017,468	2,895,206
Construction in progress	14,376	-
<b>Totals</b>	<u>\$ 19,321,944</u>	<u>\$ 19,182,306</u>

CITY OF WILLIAMSBURG  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

**Debt Administration**

At year-end, the City has \$8,082,546 outstanding notes, bonds and capital leases compared to \$8,674,879 last year. That is a decrease of 6.83%.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Notes (backed by City)	\$ 178,636	\$ 160,209	\$ 959,196	\$ 968,893	\$ 1,137,832	\$ 1,129,102
Bonds (backed by fee revenues)	-	-	2,519,500	2,666,500	2,519,500	2,666,500
Capital lease obligations (backed by City)	<u>4,425,214</u>	<u>4,879,277</u>	<u>-</u>	<u>-</u>	<u>4,425,214</u>	<u>4,879,277</u>
Totals	<u>\$4,603,850</u>	<u>\$5,039,486</u>	<u>\$3,478,696</u>	<u>\$3,635,393</u>	<u>\$8,082,546</u>	<u>\$8,674,879</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City is experiencing slow-growing revenues and rising operating costs. More economical ways of delivering services to the citizens and paying for those services is currently being researched. On a positive note, the citizens continue to enjoy a very low property tax rate compared to other communities. The City is continuing to achieve ways to fund its street, water and sanitation needs through grants and state aid.

The City is continuing to develop recreational facilities on a limited basis. The Hal Rogers Water Park is becoming a unique employment opportunity and area attraction.

All departments of the City continue to improve operations over the previous years. The Police Department has installed video cameras in all vehicles to obtain more positive outcomes in law enforcement cases with better evidence. The Street and Sanitation Departments continue to provide maintenance and improvements to the City's infrastructure, facilities and equipment.

In summary, the City enjoys a high level of services, excellent facilities, and adequate financial reserves at a very low tax rate. However, the reality is that steady development in the City that would generate new revenue to offset increased costs has not occurred. With the enactment of Whitley County's occupational and net profits tax as of July 1, 2005, and the City's agreement to share in this revenue, additional funds became available to fund the City's services.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at P.O. Box 119, Williamsburg, Kentucky 40769 or phone at 606-549-6035.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF NET POSITION  
June 30, 2014

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Williamsburg Tourism Commission</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,268,048	\$ 227,900	\$ 1,495,948	\$ 194,736
Investments	-	244,835	244,835	-
Accounts receivable:				
Taxes, less allowance for doubtful accounts of \$1,976	318,376	-	318,376	-
Accounts receivable, less allowance for doubtful accounts of \$3,437	-	259,380	259,380	-
Unbilled accounts receivable	-	158,207	158,207	-
Other receivables	3,281	306,109	309,390	-
Intergovernmental – state	49,470	-	49,470	-
Due (to) from primary government	<u>471,947</u>	<u>(472,950)</u>	<u>(1,003)</u>	<u>1,003</u>
Total current assets	<u>2,111,122</u>	<u>723,481</u>	<u>2,834,603</u>	<u>195,739</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>13,985,234</u>	<u>18,699,239</u>	<u>32,684,473</u>	<u>241,642</u>
Total noncurrent assets	<u>13,985,234</u>	<u>18,699,239</u>	<u>32,684,473</u>	<u>241,642</u>
<b>TOTAL ASSETS</b>	<u>16,096,356</u>	<u>19,422,720</u>	<u>35,519,076</u>	<u>437,381</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	135,644	580,878	716,522	3,259
Customer deposits	-	70,980	70,980	-
Current portion of bond obligations	-	154,000	154,000	-
Current portion of capital lease obligations	470,882	-	470,882	-
Current portion of notes payable	<u>47,560</u>	<u>49,900</u>	<u>97,460</u>	<u>-</u>
Total current liabilities	<u>654,086</u>	<u>855,758</u>	<u>1,509,844</u>	<u>3,259</u>
<b>NONCURRENT LIABILITIES</b>				
Noncurrent portion of bond obligations	-	2,365,500	2,365,500	-
Noncurrent portion of capital lease obligations	3,954,332	-	3,954,332	-
Noncurrent portion of notes payable	<u>131,076</u>	<u>909,296</u>	<u>1,040,372</u>	<u>-</u>
Total noncurrent liabilities	<u>4,085,408</u>	<u>3,274,796</u>	<u>7,360,204</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>4,739,494</u>	<u>4,130,554</u>	<u>8,870,048</u>	<u>3,259</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Williamsburg Tourism Commission
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	9,381,384	15,220,543	24,601,927	241,642
Restricted				
Customer deposits	-	70,980	70,980	-
Debt service	-	356,467	356,467	-
Waterline and meter replacement	-	67,059	67,059	-
Municipal roads	368,661	-	368,661	-
Economic development	6	-	6	-
Tourism and recreation	102,445	-	102,445	192,480
Unrestricted (deficit)	1,504,366	(422,883)	1,081,483	-
<b>TOTAL NET POSITION</b>	<b>\$ 11,356,862</b>	<b>\$ 15,292,166</b>	<b>\$ 26,649,028</b>	<b>\$ 434,122</b>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$1,005,171	\$ 31,538	\$ 17,399	\$ -
Police department	1,006,393	45,634	134,914	10,000
Fire department	378,331	436	18,428	18,250
Street department	190,915	-	121,368	-
Sanitation department	547,256	726,380	-	-
Recreation department	112,225	28,443	-	-
Water park	1,234,496	1,150,557	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>4,474,787</b>	<b>1,982,988</b>	<b>292,109</b>	<b>28,250</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water and sewer	2,205,238	1,751,132	-	870,415
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,205,238</b>	<b>1,751,132</b>	<b>-</b>	<b>870,415</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$6,680,025</b>	<b>\$3,734,120</b>	<b>\$ 292,109</b>	<b>\$ 898,665</b>
<b>COMPONENT UNIT:</b>				
Williamsburg Tourism Commission	\$ 356,182	\$ 18,660	\$ 23,013	\$ -
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 356,182</b>	<b>\$ 18,660</b>	<b>\$ 23,013</b>	<b>\$ -</b>

**GENERAL REVENUES**

Taxes
Property tax
Franchise tax
Municipal insurance tax
Occupational tax
Payment in lieu of taxes
Transient room tax
Restaurant tax
Earnings on investments
Other local revenues
Total general revenues
Transfers from component unit
Total general revenues and transfers
Change in net position
Net position, July 1, 2013
Net position, June 30, 2014

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

**NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (956,234)		\$ (956,234)	
(815,845)		(815,845)	
(341,217)		(341,217)	
(69,547)		(69,547)	
179,124		179,124	
(83,782)		(83,782)	
(83,939)		(83,939)	
<u>(2,171,440)</u>		<u>(2,171,440)</u>	
	\$ 416,309	416,309	
	<u>416,309</u>	<u>416,309</u>	
		<u>(1,755,131)</u>	
			\$ (314,509)
			<u>(314,509)</u>
642,942	-	642,942	-
196,671	-	196,671	-
327,404	-	327,404	-
656,965	-	656,965	-
20,853	-	20,853	-
-	-	-	126,952
-	-	-	526,422
5,596	1,375	6,971	628
89,196	-	89,196	3,400
<u>1,939,627</u>	<u>1,375</u>	<u>1,941,002</u>	<u>657,402</u>
311,375	-	311,375	(311,375)
<u>2,251,002</u>	<u>1,375</u>	<u>2,252,377</u>	<u>346,027</u>
79,562	417,684	497,246	31,518
<u>11,277,300</u>	<u>14,874,482</u>	<u>26,151,782</u>	<u>402,604</u>
<u>\$ 11,356,862</u>	<u>\$ 15,292,166</u>	<u>\$ 26,649,028</u>	<u>\$ 434,122</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>			
Cash and cash equivalents	\$ 882,223	\$ 385,825	\$ 1,268,048
Accounts receivable:			
Taxes, less allowance for doubtful accounts of \$1,976	243,984	74,392	318,376
Other receivables	3,281	-	3,281
Intergovernmental – state	38,575	10,895	49,470
Due (to) from primary government	<u>471,947</u>	<u>-</u>	<u>471,947</u>
<b>TOTAL ASSETS AND RESOURCES</b>	<b><u>\$ 1,640,010</u></b>	<b><u>\$ 471,112</u></b>	<b><u>\$ 2,111,122</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued expenses	\$ 135,644	\$ -	\$ 135,644
Restricted			
Municipal roads	-	368,661	368,661
Economic development	-	6	6
Tourism and recreation	-	102,445	102,445
Unassigned	<u>1,504,366</u>	<u>-</u>	<u>1,504,366</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,640,010</u></b>	<b><u>\$ 471,112</u></b>	<b><u>\$ 2,111,122</u></b>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
June 30, 2014

<b>Total Fund Balances per fund financial statements</b>	<b>\$ 1,975,478</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net position.	13,985,234
Certain liabilities, such as capital lease obligations, bonds payable and notes payable, are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.	<u>(4,603,850)</u>
<b>Total Net Position for Governmental Activities</b>	<b><u>\$ 11,356,862</u></b>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Property	\$ 642,942	\$ -	\$ 642,942
Franchise	196,671	-	196,671
Municipal insurance	327,404	-	327,404
Occupational tax	656,965	-	656,965
Payment in lieu of taxes	20,853	-	20,853
Sanitation department	726,380	-	726,380
Police department	190,548	-	190,548
Recreation department	17,110	11,333	28,443
Street department	-	121,368	121,368
Fire department	37,114	-	37,114
Water park	1,150,557	-	1,150,557
Earnings on investments	4,389	1,207	5,596
General government	<u>111,065</u>	<u>27,068</u>	<u>138,133</u>
<b>TOTAL REVENUES</b>	<u>4,081,998</u>	<u>160,976</u>	<u>4,242,974</u>
<b>EXPENDITURES</b>			
General government	908,901	-	908,901
Police department	950,408	-	950,408
Fire department	393,804	-	393,804
Street department	79,659	115,341	195,000
Sanitation department	521,394	-	521,394
Recreation department	95,666	-	95,666
Water park	<u>1,397,996</u>	<u>-</u>	<u>1,397,996</u>
<b>TOTAL EXPENDITURES</b>	<u>4,347,828</u>	<u>115,341</u>	<u>4,463,169</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(265,830)</u>	<u>45,635</u>	<u>(220,195)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	338,453	-	338,453
Operating transfers out	<u>-</u>	<u>(27,078)</u>	<u>(27,078)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>338,453</u>	<u>(27,078)</u>	<u>311,375</u>
<b>NET CHANGE IN FUND BALANCES</b>	72,623	18,557	91,180
<b>FUND BALANCES, JULY 1, 2013</b>	<u>1,431,743</u>	<u>452,555</u>	<u>1,884,298</u>
<b>FUND BALANCES, JUNE 30, 2014</b>	<u>\$ 1,504,366</u>	<u>\$ 471,112</u>	<u>\$ 1,975,478</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

**Net Change In Total Fund Balances – per fund financial statements** \$ 91,180

Amounts reported for governmental activities in the statement of activities are different 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 as depreciation expense.

Capital outlays	\$ 139,638	
Depreciation	<u>(586,892)</u>	(447,254)

Proceeds from notes used to purchase capital assets reduce expenditures in the governmental funds, but the proceeds increase notes payable in the statement of net position. (64,075)

Payments on the notes payable are an expenditure in the governmental funds, but the repayments reduce noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities. 45,648

Payments on the capital leases are an expenditure in the governmental funds, but the repayments reduce noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities. 454,063

**Change In Net Position of Governmental Activities** \$ 79,562

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Property	\$ 572,500	\$ 572,500	\$ 642,942	\$ 70,442
Franchise	180,000	180,000	196,671	16,671
Municipal insurance	315,000	315,000	327,404	12,404
Occupational tax	700,000	700,000	656,965	(43,035)
Payment in lieu of taxes	20,450	20,450	20,853	403
Sanitation department	767,000	767,000	726,380	(40,620)
Police department	154,500	154,500	190,548	36,048
Recreation department	1,000	1,000	17,110	16,110
Fire department	31,780	31,780	37,114	5,334
Water park	1,155,500	1,155,500	1,150,557	(4,943)
Earnings on investments	7,100	7,100	4,389	(2,711)
General government	47,000	47,000	111,065	64,065
<b>TOTAL REVENUES</b>	<b>3,951,830</b>	<b>3,951,830</b>	<b>4,081,998</b>	<b>130,168</b>
<b>EXPENDITURES</b>				
General government	1,031,668	1,031,668	908,901	122,767
Police department	943,502	943,502	950,408	(6,906)
Fire department	354,740	354,740	393,804	(39,064)
Street department	130,500	130,500	79,659	50,841
Sanitation department	492,060	492,060	521,394	(29,334)
Recreation department	86,860	86,860	95,666	(8,806)
Water park	1,645,500	1,645,500	1,397,996	247,504
<b>TOTAL EXPENDITURES</b>	<b>4,684,830</b>	<b>4,684,830</b>	<b>4,347,828</b>	<b>337,002</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(733,000)</b>	<b>(733,000)</b>	<b>(265,830)</b>	<b>467,170</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	780,000	780,000	338,453	(441,547)
Operating transfers out	(47,000)	(47,000)	-	47,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>733,000</b>	<b>733,000</b>	<b>338,453</b>	<b>(394,547)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>72,623</b>	<b>\$ 72,623</b>
<b>FUND BALANCE, JULY 1, 2013</b>			<b>1,431,743</b>	
<b>FUND BALANCE, JUNE 30, 2014</b>			<b>\$ 1,504,366</b>	

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
Year Ended June 30, 2014

	<u>Municipal Road Aid</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenues:				
Street department	\$ 114,000	\$ 114,000	\$ 121,368	\$ 7,368
Coal and mineral grants	-	-	-	-
Earnings on investments	<u>1,500</u>	<u>1,500</u>	<u>1,195</u>	<u>(305)</u>
<b>TOTAL REVENUES</b>	<u>115,500</u>	<u>115,500</u>	<u>122,563</u>	<u>7,063</u>
<b>EXPENDITURES</b>				
Street department	<u>115,500</u>	<u>115,500</u>	<u>115,341</u>	<u>159</u>
<b>TOTAL EXPENDITURES</b>	<u>115,500</u>	<u>115,500</u>	<u>115,341</u>	<u>159</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>7,222</u>	<u>7,222</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>7,222</u>	<u>\$ 7,222</u>
<b>FUND BALANCES, JULY 1, 2013</b>			<u>361,439</u>	
<b>FUND BALANCES, JUNE 30, 2014</b>			<u>\$ 368,661</u>	

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

Local Government Economic Assistance

<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Original</u>	<u>Final</u>		
\$ -	\$ -	\$ -	\$ -
30,000	30,000	27,068	(2,932)
100	100	12	(88)
<u>30,100</u>	<u>30,100</u>	<u>27,080</u>	<u>(3,020)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30,100</u>	<u>30,100</u>	<u>27,080</u>	<u>(3,020)</u>
<u>(30,100)</u>	<u>(30,100)</u>	<u>(27,078)</u>	<u>3,022</u>
<u>(30,100)</u>	<u>(30,100)</u>	<u>(27,078)</u>	<u>3,022</u>
<u>\$ -</u>	<u>\$ -</u>	<u>2</u>	<u>\$ 2</u>
		<u>4</u>	
		<u>\$ 6</u>	

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF NET POSITION  
PROPRIETARY FUND –WATER AND SEWER  
June 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	227,900
Investments		244,835
Accounts receivable:		
Accounts receivable, less allowance for doubtful accounts of \$3,437		259,380
Unbilled accounts receivable		158,207
Other receivables		306,109
Due (to) from primary government		<u>(472,950)</u>
Total current assets		<u>723,481</u>

NONCURRENT ASSETS

Capital assets, net		<u>18,699,239</u>
---------------------	--	-------------------

TOTAL ASSETS

19,422,720

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses		580,878
Customer deposits		70,980
Current portion of bond obligations		154,000
Current portion of notes payable		<u>49,900</u>
Total current liabilities		<u>855,758</u>

NONCURRENT LIABILITIES

Noncurrent portion of bond obligations		2,365,500
Noncurrent portion of notes payable		<u>909,296</u>
Total noncurrent liabilities		<u>3,274,796</u>

TOTAL LIABILITIES

4,130,554

NET ASSETS

Investment in capital assets, net of related debt		15,220,543
Restricted		
Customer deposits		70,980
Debt service		356,467
Waterline and meter replacement		67,059
Unrestricted (deficit)		<u>(422,883)</u>
TOTAL NET POSITION		<u>\$ 15,292,166</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND – WATER AND SEWER  
Year Ended June 30, 2014

Gallons sold (in thousands) 300,508

	<u>Water</u>	<u>Per 1,000 Gallons</u>
<b>OPERATING REVENUES</b>		
Sales	\$ 1,009,863	\$ 3.36
Other revenues	<u>16,433</u>	<u>.06</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,026,296</u>	<u>3.42</u>
<b>OPERATING EXPENSES</b>		
Wages	320,078	1.05
Employee taxes and benefits	134,881	.46
Supplies and expenses	4,767	.14
Pump station expense	28,201	.08
Dues and publications	91	-
Meter boxes, parts and taps	36,307	.11
Utilities	161,508	.52
Office supplies	8,657	.03
Insurance	27,089	.08
Vehicle expense	16,360	.04
Repairs and maintenance	23,007	.06
Depreciation	250,737	.82
Travel and training	3,284	.01
Professional services	4,513	.01
Rents and service contracts	22,867	.07
Pretreatment and sludge	-	-
Lead and copper testing	13,149	.04
Chemicals	56,893	.19
Miscellaneous	<u>1,420</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,113,809</u>	<u>3.71</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (87,513)</u>	<u>\$ (.29)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on revenue bonds and notes payable		
Earnings on investments		
Grant – water and sewer system improvements		
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>		
<b>NET INCOME (LOSS)</b>		
<b>NET POSITION, JULY 1, 2013</b>		
<b>NET POSITION, JUNE 30, 2014</b>		

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

<u>Sewer</u>	<u>Per 1,000 Gallons</u>	<u>Total</u>
\$ 709,056	\$ 2.36	\$ 1,718,919
<u>15,780</u>	<u>.05</u>	<u>32,213</u>
<u>724,836</u>	<u>2.41</u>	<u>1,751,132</u>

270,242	.91	590,320
119,760	.40	254,641
15,022	.05	19,789
8,796	.03	36,997
30	-	121
12,492	.04	48,799
127,658	.42	289,166
5,873	.02	14,530
29,435	.10	56,524
15,785	.05	32,145
17,345	.06	40,352
250,737	.83	501,474
1,608	-	4,892
4,481	.01	8,994
16,063	.05	38,930
34,080	.11	34,080
23,009	.08	36,158
5,433	.02	62,326
<u>184</u>	<u>-</u>	<u>1,604</u>
<u>958,033</u>	<u>3.18</u>	<u>2,071,842</u>
<u>\$ (233,197)</u>	<u>\$ (.77)</u>	<u>(320,710)</u>

(133,396)  
1,375  
870,415  
738,394  
417,684  
14,874,482  
\$ 15,292,166

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND – WATER AND SEWER  
Year Ended June 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from water and sewer revenues	\$ 1,799,306
Cash payments for wages	(588,812)
Cash payments for employee taxes and benefits	(254,641)
Cash payments for other expenses	<u>(298,352)</u>
Net cash provided (used) by operating activities	<u>657,501</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments	(194,282)
Interest payments	(133,396)
Cash payments for purchases of capital assets	<u>(889,944)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,217,622)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest	1,375
Receipt of grants	576,757
Receipt of KIA loan proceeds	<u>37,585</u>
Net cash provided (used) by investing activities	<u>615,717</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>55,596</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2013</b>	<u><b>172,304</b></u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2014</b>	<u><b>\$ 227,900</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (320,710)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	501,474
Changes in assets and liabilities:	
Accounts receivable	(7,318)
Unbilled accounts receivable	55,492
Due (to) from primary government	303,498
Accounts payable and accrued expenses	125,790
Customer deposits	<u>(725)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ 657,501</b></u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that affect the significant elements of the financial statements of the City of Williamsburg are summarized as follows:

**REPORTING ENTITY**

The City of Williamsburg (City) is a fourth-class city and has oversight responsibilities over all activities related to the operation of the City. The City receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Williamsburg.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following entity is included in the accompanying financial statements as a discretely presented component unit:

**WILLIAMSBURG TOURISM COMMISSION**

The Commission was formed by the City for the purpose of promoting recreational, convention and tourist activities.

**BASIS OF PRESENTATION**

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 statements distinguish between governmental and business-type activities of the City.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of 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 fund financial statements.

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 governmental activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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. All taxes and revenues not

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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 fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. These are not major funds of the City.

II. Proprietary Fund Types (Enterprise Funds)

- (A) The Water and Sewer Fund is used to account for the utility operations of the City.

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary funds.

Revenues, Exchange and Nonexchange Transactions: 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 recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the City is sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been met. 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, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND CASH EQUIVALENTS

The City has bank accounts and certificates of deposit. The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the City to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorized the City to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; banker's acceptances; and commercial paper notes rated prime and issued by United States corporations. It is the City's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general fund except certain trust funds, which accrue to those funds individually.

INVESTMENTS

The City's investments are comprised solely of certificates of deposit.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID EXPENSES

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at net of allowance for doubtful accounts. The allowance for doubtful accounts for the business-type activities is based on historical bad debt experience and is estimated to be approximately .2% of water and sewer sales.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

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 follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 1 year.

All reported capital assets, with the exception of land, 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 governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	10-50 years
Pool, parks and recreation equipment	10-25 years
Water park complex	10-50 years
Water and sewer system	25-50 years
Equipment	10 years
Infrastructure-roads/sidewalks	30 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from City policy, negotiated agreements, and state laws.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

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

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as investment in capital assets, net of related debt, restricted and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed Fund Balance* – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the City of Williamsburg's Council members. Any changes or removal of specific purposes also requires majority action by the Council.

*Assigned Fund Balance* – Portion of fund balance that has been budgeted by the Council.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.

*Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for water and sewer.

**CONTRIBUTIONS OF CAPITAL**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**ESTIMATES**

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

**BUDGETARY PROCESS**

**Budgetary Basis of Accounting:** The City's budgetary process accounts for certain transactions on a basis other than U.S. Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Council at their regular meetings.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The City's funds are required to be deposited and invested under statutory regulations. The depository bank deposits for safekeeping and trust with the City's third party agent approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

At June 30, 2014, the carrying amount of the City's deposits (cash and investments) was \$1,740,783 and the bank balance was \$1,896,285. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

The deposits were deemed collateralized under Kentucky Law during the year and the City maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Whitaker Bank, Community Trust Bank, First State Financial and Forcht Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$2,074,825.
- c. Largest cash, savings and time deposit combined account balance amounted to \$2,189,815 and occurred during the month of July 2013.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- |            |   |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the City or by its agent in the City's name.                           |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Deposits, which are not collateralized or insured.  |

Based on these three levels of risk, the City's cash deposits are classified as Category 1 and 2.

**NOTE 3 – PROPERTY TAXES**

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The assessed value of the certified roll, upon which the levy for the 2014 fiscal year was based, was \$185,170,551. The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.278 per \$100 valuation for real estate and \$.3441 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by January 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2014 were ninety-eight percent of the tax levy. Delinquent taxes are allocated to the general fund. The City records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end. An allowance is made for all delinquent taxes based on historical collection rates.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 3 – PROPERTY TAXES (CONTINUED)**

At June 30, 2014, the components of taxes receivable were as follows:

General property tax, net of allowance	\$ 7,904
Transient room and restaurant tax	74,392
Municipal insurance tax	70,339
Occupational tax	163,855
Omitted tangibles	1,886
Total	<u>\$ 318,376</u>

**NOTE 4 – OTHER RECEIVABLES**

Other receivables at June 30, 2014 consisted of various accounts receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity during the fiscal year follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 3,417,032	\$ -	\$ -	\$ 3,417,032
Buildings, improvements and Infrastructure	5,919,805	-	-	5,919,805
Pool, parks and recreation equipment	297,931	3,000	-	300,931
Water park complex	6,652,332	-	-	6,652,332
Fire department equipment	843,016	36,800	-	879,816
Police department equipment	702,597	67,389	-	769,986
Street department equipment	211,035	18,073	-	229,108
Sanitation department equipment	454,372	-	-	454,372
General and administrative equipment	650,626	-	-	650,626
Bingo equipment	24,310	-	-	24,310
Municipal road aid equipment	9,250	-	-	9,250
Construction in progress	-	<u>14,376</u>	-	<u>14,376</u>
Totals at cost	<u>19,182,306</u>	<u>139,638</u>	-	<u>19,321,944</u>
Less accumulated depreciation	<u>(4,749,818)</u>	-	<u>(586,892)</u>	<u>(5,336,710)</u>
Governmental activities capital assets, net	<u>\$ 14,432,488</u>	<u>\$ 139,638</u>	<u>\$ (586,892)</u>	<u>\$ 13,985,234</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Governmental activities depreciation was allocated as follows:

General government	\$ 170,646
Police department	115,195
Fire department	55,142
Street department	13,988
Sanitation department	25,862
Recreation department	19,559
Water park	<u>186,500</u>
Total	<u>\$ 586,892</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water and sewer	\$ 25,355,776	\$ 994,066	\$ -	\$ 26,349,842
Construction in progress	<u>916,137</u>	<u>884,630</u>	<u>(988,752)</u>	<u>812,015</u>
Totals at cost	26,271,913	1,878,696	(988,752)	27,161,857
Less accumulated depreciation	<u>(7,961,144)</u>	<u>-</u>	<u>(501,474)</u>	<u>(8,462,618)</u>
Business-type activities capital assets, net	<u>\$ 18,310,769</u>	<u>\$ 1,878,696</u>	<u>\$ (1,490,226)</u>	<u>\$ 18,699,239</u>

**NOTE 6 – CAPITAL LEASE OBLIGATIONS**

The following is a summary of the capital lease obligations at June 30:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital lease agreement, original balance of \$5,000,000 with a variable interest rate of .09% at June 30, 2014 (.05% at June 30, 2013)	\$ 3,160,000	\$ -	\$ 350,000	\$ 2,810,000
Capital lease agreement, original balance of \$291,184 with a fixed interest rate of 4.13%	239,277	-	44,063	195,214
Capital lease obligation, original balance of \$1,690,000 with a fixed interest rate of 5% through 2013, 5.25% through 2016, 5.75% through 2019 and 6.25% thereafter	<u>1,480,000</u>	<u>-</u>	<u>60,000</u>	<u>1,420,000</u>
Totals	<u>\$ 4,879,277</u>	<u>\$ -</u>	<u>\$ 454,063</u>	<u>\$ 4,425,214</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 6 – CAPITAL LEASE OBLIGATIONS (CONTINUED)**

The following is a summary of principal maturities and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 470,882	\$ 96,316	\$ 567,198
2016	492,777	90,812	583,589
2017	519,750	84,778	604,528
2018	546,805	78,195	625,000
2019	510,000	71,365	581,365
2020-2024	1,265,000	274,143	1,539,143
2025-2029	620,000	105,611	725,611
Totals	<u>\$ 4,425,214</u>	<u>\$ 801,220</u>	<u>\$ 5,226,434</u>

Interest and fees paid on the capital lease obligations of \$52,474 are included in water park expenses, \$88,875 are included in general fund expenses, and \$10,181 are included in police department expenses.

**NOTE 7 – NOTES PAYABLE**

**GOVERNMENTAL ACTIVITIES**

Following is a summary of the notes payable - governmental activities at June 30:

	<u>Balance July 1, 2013</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance June 30, 2014</u>
4.00% note payable, secured by police department equipment, monthly payments of \$1,182 including interest, matures June, 2018	\$ -	\$ 64,075	\$ 11,833	\$ 52,242
4.15% note payable, secured by new fire truck, monthly payments of \$3,319 including interest, matures November, 2017	160,209	-	33,815	126,394
TOTAL	<u>\$ 160,209</u>	<u>\$ 64,075</u>	<u>\$ 45,648</u>	<u>\$ 178,636</u>

Interest of \$6,010 for the year is included in fire department expenses and \$2,348 is included in police department expenses.

The following is a summary of principal maturities and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 47,560	\$ 6,446	\$ 54,006
2016	49,553	4,453	54,006
2017	51,629	2,377	54,006
2018	29,894	464	30,358
Totals	<u>\$ 178,636</u>	<u>\$ 13,740</u>	<u>\$ 192,376</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 7 – NOTES PAYABLE (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The City has a loan with the Kentucky Infrastructure Authority in the amount of \$400,000 which bears interest at the rate of .7%. The unpaid balance at June 30, 2014 was \$305,178.

The debt service to maturity on this note is as follows:

<u>KENTUCKY INFRASTRUCTURE AUTHORITY (B07-08)</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 19,365	\$ 2,703	\$ 22,068
2016	19,501	2,529	22,030
2017	19,638	2,353	21,991
2018	19,775	2,176	21,951
2019	19,914	1,997	21,911
2020-2024	101,685	7,268	108,953
2025-2029	105,300	2,620	107,920
Totals	<u>\$ 305,178</u>	<u>\$ 21,646</u>	<u>\$ 326,824</u>

The City obtained a construction line-of-credit in the amount of \$955,960 from the Kentucky Infrastructure Authority. Terms of the loan call for thirty percent principal forgiveness (\$286,788) and one percent interest. This note was converted to permanent financing during 2014. The unpaid balance was \$654,018 at June 30, 2014. This loan is for water and sewer line improvements.

The debt service to maturity on this note is as follows:

<u>KENTUCKY INFRASTRUCTURE AUTHORITY (A11-05)</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,535	\$ 7,757	\$ 38,292
2016	30,841	7,390	38,231
2017	31,150	7,019	38,169
2018	31,463	6,643	38,106
2019	31,778	6,265	38,043
2020-2024	163,734	25,514	189,248
2025-2029	172,107	15,466	187,573
2030-2034	162,410	4,903	167,313
Totals	<u>\$ 654,018</u>	<u>\$ 80,957</u>	<u>\$ 734,975</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 8 – BONDS PAYABLE**

**BUSINESS-TYPE ACTIVITIES**

Revenue bonds of \$1,833,000 with interest at the rate of 5% were issued by the City on March 14, 1979, to defray the cost (not otherwise provided) of a new water treatment plant and appurtenant facilities. The bonds outstanding of \$295,000 at June 30, 2014, are payable solely from and secured by a secondary pledge of operating income of the fund and a secondary lien on the facilities. Bonds retired during the year were \$89,000.

Revenue bonds of \$1,018,000 with interest at the rate of 5% were issued by the City on September 11, 1988, to defray the cost (not otherwise provided) of a sewer line expansion project. The bonds outstanding of \$597,000 at June 30, 2014, are payable solely on a second-lien basis, on a parity with the bonds of 1979, out of the gross revenues of the fund. Bonds retired during the year were \$29,000.

Rural Utilities Service Revenue bonds of \$1,805,000 with interest at the rate of 4.5% were issued by the City on June 5, 2002, for the purpose of providing funds (not otherwise provided) for the permanent financing of the costs of extensions, additions and improvements to the existing combined and consolidated water and sewer system. The bonds outstanding of \$1,627,500 at June 30, 2014, as well as the Kentucky Infrastructure loan, are payable out of gross revenues of the fund. Bonds retired during the year were \$29,000.

In connection with the issuance of the revenue bonds of the Water and Sewer Fund, the bond indentures and City ordinances require that specified amounts be transferred to the Sinking Fund. The City has made the required deposits into the Sinking Fund during the year.

Debt service requirements to maturity are as follows:

<u>REVENUE BONDS, 1979 ISSUE</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 94,000	\$ 14,750	\$ 108,750
2016	98,000	10,050	108,050
2017	<u>103,000</u>	<u>5,150</u>	<u>108,150</u>
Totals	<u>\$ 295,000</u>	<u>\$ 29,950</u>	<u>\$ 324,950</u>

<u>REVENUE BONDS, 1988 ISSUE</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 29,850	\$ 59,850
2016	32,000	28,350	60,350
2017	34,000	26,750	60,750
2018	35,000	25,050	60,050
2019	37,000	23,300	60,300
2020	39,000	21,450	60,450
2021	41,000	19,500	60,500
2022	43,000	17,450	60,450
2023	45,000	15,300	60,300
2024	47,000	13,050	60,050
2025	50,000	10,700	60,700
2026	52,000	8,200	60,200
2027	55,000	5,600	60,600
2028	<u>57,000</u>	<u>2,850</u>	<u>59,850</u>
Totals	<u>\$ 597,000</u>	<u>\$ 247,400</u>	<u>\$ 844,400</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 8 – BONDS PAYABLE (CONTINUED)

RURAL UTILITIES SERVICE REVENUE BONDS, 2002 ISSUE

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 73,238	\$ 103,238
2016	31,500	71,888	103,388
2017	33,000	70,470	103,470
2018	34,500	68,985	103,485
2019	36,000	67,433	103,433
2020	37,500	65,813	103,313
2021	39,500	64,125	103,625
2022	41,000	62,348	103,348
2023	43,000	60,503	103,503
2024	45,000	58,568	103,568
2025	47,000	56,543	103,543
2026	49,000	54,428	103,428
2027	51,000	52,223	103,223
2028	53,500	49,928	103,428
2029	56,000	47,520	103,520
2030	58,500	45,000	103,500
2031	61,000	42,368	103,368
2032	64,000	39,623	103,623
2033	66,500	36,743	103,243
2034	69,500	33,750	103,250
2035	73,000	30,623	103,623
2036	76,000	27,338	103,338
2037	79,500	23,918	103,418
2038	83,000	20,340	103,340
2039	87,000	16,605	103,605
2040	90,500	12,690	103,190
2041	95,000	8,618	103,618
2042	96,500	4,343	100,843
Totals	<u>\$ 1,627,500</u>	<u>\$ 1,265,972</u>	<u>\$ 2,893,472</u>

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the City participates in the Kentucky League of Cities and Kentucky Risk Management Associations Trust. These public entity risk pools operate as common risk management and insurance programs for all cities. The City pays an annual premium to each fund for coverage. Contributions to the workers' compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) day's notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

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, which are retrospectively rated, which include workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

**NOTE 10 – RETIREMENT PLANS**

Substantially all employees are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for employees who began participating before September 1, 2008 and 6% for new participants who began after September 1, 2008 and a City contribution of 18.89% of the employee's total compensation subject to contribution.

The City's total payroll for the year was \$2,047,861. The payroll for employees covered under CERS was \$1,730,777.

The contribution requirement for CERS for the year ended June 30, 2014 was \$414,560 which consisted of \$326,944 from the City and \$87,616 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers. CERS does not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial report available on their website.

As the City is only one of several employers participating in the Plan, it is not practicable to determine the City's portion of the unfunded past service cost or the vested benefits of the City's portion of the Plan assets.

**NOTE 11 – COMMITMENTS AND 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 grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

CITY OF WILLIAMSBURG  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 12 – OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK**

The Accounting Standards require disclosure of information about financial instruments for which risk could exceed amounts reflected in the financial statements and information about significant geographic, industry, or other concentrations of credit risk for all financial instruments. We noted no additional items that needed to be disclosed.

**NOTE 13 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Williamsburg Tourism Commission	General	Recreation	\$ 59,375
Operating	Williamsburg Tourism Commission	General	Debt service requirement	252,000
Operating	LGEA	General	Reimbursement of expenses	27,078

**NOTE 14 – DUE (TO) FROM PRIMARY GOVERNMENT**

Due (to) from primary government consisted of the following at June 30, 2014:

Governmental Activities

Due to component unit – Williamsburg Tourism Commission	\$ (1,003)
Due from business-type activities – Water and Sewer Fund	472,950
Total	<u>\$ 471,947</u>

**NOTE 15 – DEFICIT OPERATING/FUND BALANCES**

There were no funds that had operations that resulted in current year operating deficits in the governmental funds.

**NOTE 16 - SUBSEQUENT EVENTS**

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through November 3, 2014, the date on which we issued our financial statements.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE  
June 30, 2014

	Municipal Road Aid	Local Government Economic Assistance	Tourism and Recreation	Total
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 357,766	\$ 6	\$ 28,053	\$ 385,825
Accounts receivable:				
Taxes	-	-	74,392	74,392
Intergovernmental - state	10,895	-	-	10,895
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 368,661</u>	<u>\$ 6</u>	<u>\$ 102,445</u>	<u>\$ 471,112</u>
<b>FUND BALANCES</b>				
Restricted				
Municipal roads	\$ 368,661	\$ -	\$ -	\$ 368,661
Economic development	-	6	-	6
Tourism and recreation	-	-	102,445	102,445
<b>TOTAL FUND BALANCES</b>	<u>368,661</u>	<u>6</u>	<u>102,445</u>	<u>471,112</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 368,661</u>	<u>\$ 6</u>	<u>\$ 102,445</u>	<u>\$ 471,112</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE  
Year Ended June 30, 2014

	<u>Municipal Road Aid</u>	<u>Local Government Economic Assistance</u>	<u>Tourism and Recreation</u>	<u>Total</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Street department	\$ 121,368	\$ -	\$ -	\$ 121,368
Coal and mineral grants	-	27,068	-	27,068
Recreation department	-	-	11,333	11,333
Earnings on investments	<u>1,195</u>	<u>12</u>	<u>-</u>	<u>1,207</u>
<b>TOTAL REVENUES</b>	<u>122,563</u>	<u>27,080</u>	<u>11,333</u>	<u>160,976</u>
<b>EXPENDITURES</b>				
Street department	115,341	-	-	115,341
Recreation department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>115,341</u>	<u>-</u>	<u>-</u>	<u>115,341</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>7,222</u>	<u>27,080</u>	<u>11,333</u>	<u>45,635</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>-</u>	<u>(27,078)</u>	<u>-</u>	<u>(27,078)</u>
<b>TOTAL OTHER FINANCING SOURCES     (USES)</b>	<u>-</u>	<u>(27,078)</u>	<u>-</u>	<u>(27,078)</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,222	2	11,333	18,557
<b>FUND BALANCES, JULY 1, 2013</b>	<u>361,439</u>	<u>4</u>	<u>91,112</u>	<u>452,555</u>
<b>FUND BALANCES, JUNE 30, 2014</b>	<u>\$ 368,661</u>	<u>\$ 6</u>	<u>\$ 102,445</u>	<u>\$ 471,112</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky  
SCHEDULE OF PRODUCTION DATA  
June 30, 2014

	Water (Thousand Gallons)
Water produced	<u>433,201</u>
Units accounted for:	
Metered sales during year	300,508
Consumption by:	
City of Williamsburg	9,027
Miscellaneous sales	122
Hydrant flushing/line breaks	<u>11,075</u>
Total	<u>320,732</u>
Units unaccounted for	<u>112,469</u>
Percentage unaccounted for	<u>25.96%</u>
Number of metered customers at end of year	<u>1,594</u>

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

## 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

November 3, 2014

The Honorable Mayor and Members of the City Council  
City of Williamsburg  
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2014.

### Internal Control Over Financial Reporting

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

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

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

# Marr, Miller & Myers, PSC

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marr, Miller & Myers, PSC*

Certified Public Accountants