

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky  
  
REPORT OF AUDIT  
Year Ended June 30, 2018

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-8
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Position	9-10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Fund – Water and Sewer	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Water and Sewer	17
Statement of Cash Flows – Proprietary Fund – Water and Sewer	18
Notes to the Basic Financial Statements	19-42
Required Supplementary Information:	
Schedule of City's Proportionate Share of the Net Pension Liability	43
Schedule of Pension Contributions	44
Notes to Required Supplementary Information	45
Schedule of City's Proportionate Share of Net OPEB Liability – Medical Insurance Plan	46
Schedule of City's Contributions – Medical Insurance Plan	47
Notes to Required Supplementary Information	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	49
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	50
Notes to Required Supplementary Information – Budget and Actual	51
Combining Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds	52

## CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	53
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 <u>Government Auditing Standards</u>	54-55

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

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## **INDEPENDENT AUDITOR'S REPORT**

November 5, 2018

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

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

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## **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, 2018, 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, the Schedules of City's Proportionate Share of the Net Pension Liability and Pension Contributions, Schedules of City's Proportionate Share of the Net OPEB Liability and OPEB Contributions – Medical Insurance Plan and budgetary comparison information on pages 4-8, and 43-51, respectively, 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 combining and individual nonmajor fund financial statements 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.

# Marr, Miller & Myers, PSC

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 (UNAUDITED)  
June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### FINANCIAL HIGHLIGHTS

- The ending cash balance for the City was \$1,312,408 in 2018 and \$1,336,497 in 2017.
- The General Fund had \$5,276,500 in revenues (excluding interfund transfers), which primarily consisted of the occupational, property, franchise, and municipal insurance taxes and revenues generated from the water park/RV park complex. There were \$5,335,662 in General Fund expenditures.
- Governmental capital assets had a net decrease of \$362,732. Business-type capital assets had a net decrease of \$277,918 during the current fiscal year.
- Capital leases, bonds and notes are used to finance long-term capital projects. The total debt decreased \$495,971.

### 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 9-11 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 12. 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, occupational tax, property taxes, and state and federal grants finance most of these activities.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018

- **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 12 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.

**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 13 and 15.

**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, 2018**

Fiscal year 2018 government-wide net position of the primary government compared to 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Current assets	\$ 2,757,427	\$ 2,509,773
Noncurrent assets	31,111,108	31,751,758
Deferred outflows of resources	<u>1,994,435</u>	<u>870,020</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 35,862,970</u>	<u>\$ 35,131,551</u>
Current liabilities	\$ 3,268,170	\$ 1,475,464
Noncurrent liabilities	10,715,504	10,517,580
Deferred inflows of resources	<u>568,330</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 14,552,004</u>	<u>\$ 11,993,044</u>
<b>Net position</b>		
Net investment in capital assets	\$ 23,825,333	\$ 23,662,234
Restricted	541,557	719,548
Unrestricted (deficit)	<u>(3,055,924)</u>	<u>(1,243,275)</u>
Total Net Position	<u>\$ 21,310,966</u>	<u>\$ 23,138,507</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018

The most significant change in the financial position of the City since the last audit was the increase in deferred outflows of resources-pension and OPEB of \$1,124,415. The deferred inflows of resources-pension and OPEB increased \$568,330. The net pension liability-pension and OPEB increased \$1,240,619.

**Governmental Activities**

The following table presents a summary of the primary government revenues and expenditures (excluding transfers) for the fiscal years ended June 30:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUES</b>				
Taxes	\$ 2,202,704	41.43 %	\$ 2,056,826	43.02 %
Sanitation department	799,583	15.04	785,076	16.42
Police department	270,674	5.09	289,348	6.05
Recreation department	1,400	.02	3,215	.07
Street department	-	.00	114,897	2.40
Fire department	34,891	.66	35,421	.74
Water park/RV park	1,445,505	27.19	1,407,868	29.45
Earnings on investments	4,654	.08	5,149	.11
General government	82,115	1.54	74,821	1.56
FEMA revenues	12,500	.24	8,370	.18
Proceeds from bond issue	310,000	5.83	-	.00
Lease premium	152,887	2.88	-	.00
<b>TOTAL REVENUES</b>	<u>5,316,913</u>	<u>100.00</u>	<u>4,780,991</u>	<u>100.00</u>
<b>EXPENDITURES</b>				
General government	1,131,466	21.28	1,051,204	21.99
Police department	1,156,566	21.75	1,044,329	21.84
Fire department	402,967	7.58	396,419	8.29
Street department	222,733	4.19	156,353	3.27
Sanitation department	674,011	12.68	692,021	14.47
Recreation department	91,263	1.72	88,154	1.84
Water park/RV park	1,908,101	35.89	1,985,541	41.53
Special projects	-	.00	28,605	.60
<b>TOTAL EXPENDITURES</b>	<u>5,587,107</u>	<u>105.09</u>	<u>5,442,626</u>	<u>113.83</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (270,194)</u>	<u>(5.09)%</u>	<u>\$ (661,635)</u>	<u>(13.83)%</u>

In reviewing the excess (deficiency), the City showed a net deficiency before transfers of \$270,194 at June 30, 2018, as compared to a net deficiency before transfers of \$661,635 at June 30, 2017. Revenues increased \$535,922. Expenditures increased \$144,481.

**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 occupational, property and municipal insurance taxes. The actual results showed increases in overall tax revenue of \$272,754 as compared to budget. The water park/RV park revenue was

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018

\$4,550 over budget. The water park/RV park expenditures were under budget by \$124,141. General government revenues were \$313,952 less than budget. General government expenses were \$40,065 more than budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2018, the City had \$20,286,374 invested in capital assets for governmental funds. This represents a decrease of \$488,205.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 3,360,532	\$ 3,343,032
Buildings, improvements and infrastructure	4,956,105	4,944,805
Energy savings project	2,023,015	2,023,015
Recreation facilities	7,996,769	7,713,818
Equipment	1,946,635	2,590,898
Construction in progress	<u>3,318</u>	<u>159,011</u>
Totals	<u>\$ 20,286,374</u>	<u>\$ 20,774,579</u>

**Debt Administration**

At year-end, the City has \$7,593,553 of outstanding notes, bonds and capital leases compared to \$8,089,524 last year. That is a decrease of \$495,971.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Notes (backed by City)	\$ 230,612	\$ 372,790	\$ 2,524,537	\$ 808,166	\$ 2,755,149	\$ 1,180,956
Bonds (backed by fee revenues)	307,778	-	-	2,034,000	307,778	2,034,000
Capital lease obligations (backed by City)	<u>4,109,355</u>	<u>4,874,568</u>	<u>421,271</u>	<u>-</u>	<u>4,530,626</u>	<u>4,874,568</u>
Totals	<u>\$ 4,647,745</u>	<u>\$ 5,247,358</u>	<u>\$ 2,945,808</u>	<u>\$ 2,842,166</u>	<u>\$ 7,593,553</u>	<u>\$ 8,089,524</u>

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

The City is experiencing moderate growth in revenues and rising operating costs in water and sewer. 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. Effective July 1, 2017, a rate increase was granted for the City's water and sewer services. This resulted in \$120,149 in additional revenue. The City experienced an unusual occurrence of two failed water pumps. They incurred approximately \$171,000 through June 30, 2018 for pump rental, diesel fuel and additional payroll cost.

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018

In summary, the City enjoys a high level of services, excellent facilities, and adequate financial reserves at a very low tax rate.

**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, 2018

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Williamsburg Tourism Commission
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,050,019	\$ 262,389	\$ 1,312,408	\$ 290,126
Cash with fiscal agent	300,000	-	300,000	-
Investments	-	245,038	245,038	-
Accounts receivable:				
Taxes, less allowance for doubtful accounts of \$3,814	408,761	-	408,761	-
Accounts receivable, less allowance for doubtful accounts of \$3,811	-	303,039	303,039	-
Unbilled accounts receivable	-	119,840	119,840	-
Other receivables	717	-	717	-
Intergovernmental – state/federal	35,634	-	35,634	-
Due (to) from primary government	<u>601,572</u>	<u>(569,582)</u>	<u>31,990</u>	<u>(31,990)</u>
Total current assets	<u>2,396,703</u>	<u>360,724</u>	<u>2,757,427</u>	<u>258,136</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>14,031,580</u>	<u>17,079,528</u>	<u>31,111,108</u>	<u>251,940</u>
Total noncurrent assets	<u>14,031,580</u>	<u>17,079,528</u>	<u>31,111,108</u>	<u>251,940</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
CERS – Pension	1,579,163	-	1,579,163	-
CERS – OPEB	<u>415,272</u>	<u>-</u>	<u>415,272</u>	<u>-</u>
Total deferred outflows of resources	<u>1,994,435</u>	<u>-</u>	<u>1,994,435</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>18,422,718</u>	<u>17,440,252</u>	<u>35,862,970</u>	<u>510,076</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	377,542	137,232	514,774	3,407
Customer deposits	-	77,635	77,635	-
Current portion of bond obligations	14,028	-	14,028	-
Current portion of capital lease obligations	669,004	56,161	725,165	-
Current portion of notes payable	<u>117,267</u>	<u>1,819,301</u>	<u>1,936,568</u>	<u>-</u>
Total current liabilities	<u>1,177,841</u>	<u>2,090,329</u>	<u>3,268,170</u>	<u>3,407</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Williamsburg Tourism Commission
<b>NONCURRENT LIABILITIES</b>				
Noncurrent portion of bond obligations	293,750	-	293,750	-
Noncurrent portion of capital lease obligations	3,440,351	365,110	3,805,461	-
Noncurrent portion of notes payable	113,345	705,236	818,581	-
Net pension liability – CERS	4,315,527	-	4,315,527	-
Net OPEB liability – CERS	1,482,185	-	1,482,185	-
Total noncurrent liabilities	<u>9,645,158</u>	<u>1,070,346</u>	<u>10,715,504</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
CERS – Pension	490,727	-	490,727	-
CERS – OPEB	77,603	-	77,603	-
Total deferred inflows of resources	<u>568,330</u>	-	<u>568,330</u>	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>11,391,329</u>	<u>3,160,675</u>	<u>14,552,004</u>	<u>3,407</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,691,613	14,133,720	23,825,333	251,940
Restricted				
Customer deposits	-	77,635	77,635	-
Debt service	-	145,900	145,900	-
Waterline and meter replacement	-	3,813	3,813	-
Municipal roads	159,470	-	159,470	-
Tourism and recreation	154,734	-	154,734	254,729
Special projects	5	-	5	-
Unrestricted (deficit)	(2,974,433)	(81,491)	(3,055,924)	-
<b>TOTAL NET POSITION</b>	<u>\$ 7,031,389</u>	<u>\$ 14,279,577</u>	<u>\$ 21,310,966</u>	<u>\$ 506,669</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 1,212,971	\$ 42,003	\$ -	\$ 152,887
Police department	1,338,395	140,132	130,542	-
Fire department	492,143	55	23,836	11,000
Street department	243,065	-	12,500	-
Sanitation department	761,438	799,583	-	-
Recreation department	336,776	1,400	-	-
Water park/RV park	1,325,306	1,445,505	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>5,710,094</b>	<b>2,428,678</b>	<b>166,878</b>	<b>163,887</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water and sewer	2,366,346	1,935,102	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,366,346</b>	<b>1,935,102</b>	<b>-</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 8,076,440</b>	<b>\$ 4,363,780</b>	<b>\$ 166,878</b>	<b>\$ 163,887</b>
<b>COMPONENT UNIT:</b>				
Williamsburg Tourism Commission	\$ 397,522	\$ 16,253	\$ 7,329	\$ -
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 397,522</b>	<b>\$ 16,253</b>	<b>\$ 7,329</b>	<b>\$ -</b>

**GENERAL REVENUES**

Taxes
Property
Franchise
Municipal insurance
Occupational
Payment in lieu of taxes
Transient room tax
Restaurant tax
Earnings on investments
Other local revenues
Loss on disposal of assets
Total general revenues
Transfers from component unit
Total general revenues and transfers
Change in net position
Net position, July 1, 2017, as previously reported
Restatement for adoption of GASB 75
Net position, July 1, 2017, as restated
Net position, June 30, 2018

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

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

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (1,018,081)		\$ (1,018,081)	
(1,067,721)		(1,067,721)	
(457,252)		(457,252)	
(230,565)		(230,565)	
38,145		38,145	
(335,376)		(335,376)	
120,199		120,199	
<u>(2,950,651)</u>		<u>(2,950,651)</u>	
	\$ (431,244)	(431,244)	
	<u>(431,244)</u>	<u>(431,244)</u>	
		<u>(3,381,895)</u>	
			\$ (373,940)
			<u>(373,940)</u>
738,809	-	738,809	-
199,227	-	199,227	-
346,178	-	346,178	-
894,762	-	894,762	-
23,728	-	23,728	-
-	-	-	150,920
-	-	-	612,306
4,654	1,611	6,265	927
40,112	85,521	125,633	3,549
<u>(14,666)</u>	<u>-</u>	<u>(14,666)</u>	<u>-</u>
2,232,804	87,132	2,319,936	767,702
397,000	-	397,000	(397,000)
<u>2,629,804</u>	<u>87,132</u>	<u>2,716,936</u>	<u>370,702</u>
<u>(320,847)</u>	<u>(344,112)</u>	<u>(664,959)</u>	<u>(3,238)</u>
8,514,818	14,623,689	23,138,507	509,907
<u>(1,162,582)</u>	<u>-</u>	<u>(1,162,582)</u>	<u>-</u>
7,352,236	14,623,689	21,975,925	509,907
<u>\$ 7,031,389</u>	<u>\$ 14,279,577</u>	<u>\$ 21,310,966</u>	<u>\$ 506,669</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES</b>			
Cash and cash equivalents	\$ 823,986	\$ 226,033	\$ 1,050,019
Cash with fiscal agent	300,000	-	300,000
Accounts receivable:			
Taxes, less allowance for doubtful accounts of \$3,814	319,025	89,736	408,761
Other receivables	717	-	717
Intergovernmental – state/federal	23,134	12,500	35,634
Due (to) from primary government	<u>601,572</u>	<u>-</u>	<u>601,572</u>
<b>TOTAL ASSETS AND RESOURCES</b>	<b><u>\$ 2,068,434</u></b>	<b><u>\$ 328,269</u></b>	<b><u>\$ 2,396,703</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued expenses	\$ 363,482	\$ 14,060	\$ 377,542
Restricted			
Municipal roads	-	159,470	159,470
Special projects	-	5	5
Tourism and recreation	-	154,734	154,734
Unassigned	<u>1,704,952</u>	<u>-</u>	<u>1,704,952</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,068,434</u></b>	<b><u>\$ 328,269</u></b>	<b><u>\$ 2,396,703</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, 2018

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 2,019,161</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.	14,031,580
CERS contributions subsequent to the measurement date (\$378,606) net of the net difference between projected and actual earnings on CERS pension and OPEB plan investments and changes in assumptions, etc. (\$1,047,499) are reported as deferred outflows (inflows) of resources in governmental funds.	1,426,105
Net CERS pension liability and OPEB liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(5,797,712)
Certain liabilities, such as capital lease obligations, bonds 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>(4,647,745)</u>
<b>Total Net Position – Governmental Funds</b>	<b><u>\$ 7,031,389</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, 2018

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Property	\$ 738,809	\$ -	\$ 738,809
Franchise	199,227	-	199,227
Municipal insurance	346,178	-	346,178
Occupational	894,762	-	894,762
Payment in lieu of taxes	23,728	-	23,728
Sanitation department	799,583	-	799,583
Police department	270,674	-	270,674
Recreation department	1,400	-	1,400
Fire department	34,891	-	34,891
Water park/RV park	1,444,050	1,455	1,445,505
Earnings on investments	3,848	806	4,654
General government	56,463	25,652	82,115
FEMA revenues	-	12,500	12,500
Proceeds from bond issue	310,000	-	310,000
Lease premium	152,887	-	152,887
<b>TOTAL REVENUES</b>	<u>5,276,500</u>	<u>40,413</u>	<u>5,316,913</u>
<b>EXPENDITURES</b>			
General government	1,131,466	-	1,131,466
Police department	1,156,566	-	1,156,566
Fire department	402,967	-	402,967
Street department	91,288	131,445	222,733
Sanitation department	674,011	-	674,011
Recreation department	91,263	-	91,263
Water park/RV park	1,788,101	120,000	1,908,101
<b>TOTAL EXPENDITURES</b>	<u>5,335,662</u>	<u>251,445</u>	<u>5,587,107</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(59,162)</u>	<u>(211,032)</u>	<u>(270,194)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	302,664	120,000	422,664
Operating transfers out	-	(25,664)	(25,664)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>302,664</u>	<u>94,336</u>	<u>397,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	243,502	(116,696)	126,806
<b>FUND BALANCES, JULY 1, 2017</b>	<u>1,461,450</u>	<u>430,905</u>	<u>1,892,355</u>
<b>FUND BALANCES, JUNE 30, 2018</b>	<u>\$ 1,704,952</u>	<u>\$ 314,209</u>	<u>\$ 2,019,161</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, 2018

<b>Net Change In Fund Balances per fund financial statements</b>		\$ 126,806
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Depreciation	\$ (532,879)	
Capital outlays	<u>184,813</u>	(348,066)
The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition.		
		(14,666)
Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position.		
		(310,000)
Repayment of bond, capital lease obligations, and note principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		909,613
CERS and OPEB payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred (inflows) on the statement of net position.		
		<u>(684,534)</u>
<b>Change In Net Position of Governmental Activities</b>		<u>\$ (320,847)</u>

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF NET POSITION  
PROPRIETARY FUND –WATER AND SEWER  
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 262,389
Investments	245,038
Accounts receivable:	
Accounts receivable, less allowance for doubtful accounts of \$3,811	303,039
Unbilled accounts receivable	119,840
Due (to) from primary government	<u>(569,582)</u>
Total current assets	<u>360,724</u>

NONCURRENT ASSETS

Capital assets, net	<u>17,079,528</u>
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TOTAL ASSETS

17,440,252

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	137,232
Customer deposits	77,635
Current portion of capital lease obligations	56,161
Current portion of notes payable	<u>1,819,301</u>
Total current liabilities	<u>2,090,329</u>

NONCURRENT LIABILITIES

Noncurrent portion of capital lease obligations	365,110
Noncurrent portion of notes payable	<u>705,236</u>
Total noncurrent liabilities	<u>1,070,346</u>

TOTAL LIABILITIES

3,160,675

NET POSITION

Net investment in capital assets	14,133,720
Restricted	
Customer deposits	77,635
Debt service	145,900
Waterline and meter replacement	3,813
Unrestricted (deficit)	<u>(81,491)</u>
TOTAL NET POSITION	<u>\$ 14,279,577</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, 2018

Gallons sold (in thousands) 278,408

	<u>Water</u>	<u>Per 1,000 Gallons</u>
<b>OPERATING REVENUES</b>		
Sales	\$ 1,067,785	\$ 3.84
Other revenues	<u>16,884</u>	<u>.06</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,084,669</u>	<u>3.90</u>
<b>OPERATING EXPENSES</b>		
Wages	342,530	1.23
Employee taxes and benefits	124,737	.45
Contract labor	41,175	.15
Supplies and expenses	1,992	.01
Pump station expense	12,609	.05
Dues and subscriptions	2,001	.01
Meter boxes, parts and taps	39,351	.14
Utilities	165,075	.59
Office supplies	16,850	.06
Insurance	43,124	.15
Vehicle expense	8,458	.03
Repairs and maintenance	14,663	.05
Depreciation	314,482	1.13
Travel and training	4,873	.02
Professional services	3,040	.01
Rents and service contracts	48,090	.17
Pretreatment and sludge hauling/landfill	-	-
Lead and copper testing	25,427	.09
Chemicals	78,281	.28
Miscellaneous	<u>5,872</u>	<u>.02</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,292,630</u>	<u>4.64</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (207,961)</u>	<u>\$ (.74)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Lease premium		
Interest on revenue bonds and notes payable		
Earnings on investments		
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>		
<b>NET INCOME (LOSS)</b>		
<b>NET POSITION, JULY 1, 2017</b>		
<b>NET POSITION, JUNE 30, 2018</b>		

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

<u>Sewer</u>	<u>Per 1,000 Gallons</u>	<u>Total</u>
\$ 837,518	\$ 3.01	\$ 1,905,303
<u>12,915</u>	<u>.05</u>	<u>29,799</u>
<u>850,433</u>	<u>3.06</u>	<u>1,935,102</u>
236,343	.85	578,873
91,554	.33	216,291
39,120	.14	80,295
1,592	.01	3,584
21,952	.08	34,561
625	-	2,626
16,108	.06	55,459
135,192	.49	300,267
10,703	.04	27,553
45,798	.16	88,922
24,770	.09	33,228
7,409	.03	22,072
226,691	.81	541,173
1,733	.01	6,606
5,660	.02	8,700
58,759	.21	106,849
7,606	.02	7,606
40,626	.15	66,053
1,203	-	79,484
367	-	6,239
<u>973,811</u>	<u>3.50</u>	<u>2,266,441</u>
<u>\$ (123,378)</u>	<u>\$ (.44)</u>	<u>(331,339)</u>
		85,521
		(99,905)
		<u>1,611</u>
		<u>(12,773)</u>
		(344,112)
		<u>14,623,689</u>
		<u>\$ 14,279,577</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND – WATER AND SEWER  
Year Ended June 30, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from water and sewer revenues	\$ 1,893,334
Cash payments for wages	(578,873)
Cash payments for employee taxes and benefits	(216,291)
Cash payments for other expenses	<u>(882,201)</u>
Net cash provided (used) by operating activities	<u>215,969</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Receipt of lease premium	85,521
Principal payments	(2,085,239)
Interest payments	(99,905)
Proceeds from capital lease	421,271
Proceeds from construction loan	1,767,610
Cash payments for purchases of capital assets	<u>(263,255)</u>
Net cash provided (used) by capital and related financing activities	<u>(173,997)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest	<u>1,611</u>
Net cash provided (used) by investing activities	<u>1,611</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	43,583
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2017</b>	<u>218,806</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2018</b>	<u>\$ 262,389</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (331,339)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	541,173
Changes in assets and liabilities:	
Accounts receivable	(15,761)
Unbilled accounts receivable	9,382
Due (to) from primary government	(35,389)
Accounts payable and accrued expenses	47,108
Customer deposits	<u>795</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 215,969</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, 2018

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, 2018

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 fund balances.

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 total net position.

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, 2018

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID EXPENSES

Payments made that will benefit periods beyond June 30, 2018 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 and construction in progress, 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
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, 2018

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 both the government-wide financial statements and governmental fund financial statements.

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.

COUNTY EMPLOYEES RETIREMENT SYSTEMS

Employer contributions to CERS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

POSTEMPLOYMENT BENEFITS OTHER THAN OPEBS (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 net investment in capital assets, 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.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

*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 that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions by State and Local Government Employees, which became effective for fiscal years beginning after June 15, 2017. It requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of the City be included in their financial statements. This statement was adopted during the fiscal year ended June 30, 2018 and resulted in a \$1,162,582 reduction to beginning net position.

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, 2018, the carrying amount of the City's deposits (cash and investments) was \$1,557,446 and the bank balance was \$1,853,858. 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 Bank of the Southeast and Forcht Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$3,415,810.
- c. Largest cash, savings and time deposit combined account balance amounted to \$3,574,010 and occurred during the month of June 2018.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank for demand deposits, and \$250,000 per bank for time deposits.

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. |

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

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

Category 1        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 2018 fiscal year was based, was \$190,242,851. The tax rates assessed for the year ended June 30, 2018 to finance general fund operations were \$.3220 per \$100 valuation for real estate and \$.4306 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, 2018 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.

At June 30, 2018, the components of taxes receivable were as follows:

General property tax, net of allowance	\$	15,253
Transient room and restaurant tax		89,736
Municipal insurance tax		86,171
Occupational tax		201,117
Omitted tangibles		4,342
Alcohol tax		12,142
Total		\$ 408,761

**NOTE 4 – OTHER RECEIVABLES**

Other receivables at June 30, 2018 consisted of various accounts receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

**NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES**

Changes in the City's deferred outflows (inflows) of resources during the fiscal year 2018 were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>County Employee Retirement System (CERS) – Pension</u>		
Balance, July 1, 2017	\$ 870,020	\$ -
Contributions subsequent to the measurement date:		
June 30, 2017	(344,901)	-
June 30, 2018	285,848	-
Liability experience	5,353	(109,547)
Investment experience	341,785	(288,406)

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	271,213	-
Difference between expected and actual results	<u>149,845</u>	<u>(92,774)</u>
Balance, June 30, 2018	<u>\$ 1,579,163</u>	<u>\$ (490,727)</u>
 <u>County Employee Retirement System (CERS) – OPEB</u>		
Balance, July 1, 2017	\$ -	\$ -
Contributions subsequent to the measurement date:		
June 30, 2018	92,758	-
Liability experience	-	(4,117)
Investment experience	-	(70,047)
Assumption changes	322,514	-
Difference between expected and actual results	<u>-</u>	<u>(3,439)</u>
Balance, June 30, 2018	<u>\$ 415,272</u>	<u>\$ (77,603)</u>

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 3,343,032	\$ 17,500	\$ -	\$ 3,360,532
Buildings, improvements and infrastructure	4,944,805	11,300	-	4,956,105
Energy savings project	2,023,015	-	-	2,023,015
Parks and recreation equipment	278,039	-	-	278,039
Water park/RV park complex	7,435,779	282,951	-	7,718,730
Fire department equipment	705,730	14,495	(155,589)	564,636
Police department equipment	701,548	2,295	(414,992)	288,851
Street department equipment	140,351	-	(5,750)	134,601
Sanitation department equipment	468,006	11,965	(88,110)	391,861
General and administrative equipment	575,263	-	(8,577)	566,686
Construction in progress	<u>159,011</u>	<u>3,318</u>	<u>(159,011)</u>	<u>3,318</u>
Totals at cost	<u>20,774,579</u>	<u>343,824</u>	<u>(832,029)</u>	<u>20,286,374</u>
Less accumulated depreciation	<u>(6,380,267)</u>	<u>658,352</u>	<u>(532,879)</u>	<u>(6,254,794)</u>
Governmental activities capital assets, net	<u>\$ 14,394,312</u>	<u>\$ 1,002,176</u>	<u>\$ (1,364,908)</u>	<u>\$ 14,031,580</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

Governmental activities depreciation was allocated as follows:

General government	\$ 214,214
Police department	14,804
Fire department	27,604
Street department	4,569
Sanitation department	31,874
Recreation department	12,474
Water park/RV park complex	<u>227,340</u>
Total	<u>\$ 532,879</u>

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water and sewer	\$ 27,407,296	\$ 263,255	\$ -	\$ 27,670,551
Less accumulated depreciation	<u>10,049,850</u>	<u>-</u>	<u>(541,173)</u>	<u>10,591,023</u>
Business-type activities capital assets, net	<u>\$ 17,357,446</u>	<u>\$ 263,255</u>	<u>\$ (541,173)</u>	<u>\$ 17,079,528</u>

**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

**GOVERNMENTAL ACTIVITIES**

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

	<u>Balance July 1, 2017</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance June 30, 2018</u>
Capital lease obligation, original balance of \$5,000,000 with a variable interest rate of 2.684% at June 30, 2018	\$ 1,665,000	\$ -	\$ 420,000	\$ 1,245,000
Capital lease obligation, original balance of \$291,184 with a fixed interest rate of 4.13%	51,805	-	51,805	-
Capital lease obligation, original balance of \$1,690,000 with a fixed interest rate of 5% through 2013, 5.25% through 2016 and 5.75% through 2019	1,225,000	-	1,150,000	75,000
Capital lease obligation, original balance of \$1,003,729 with a fixed interest rate of 4.55%	-	1,003,729	-	1,003,729
Capital lease obligation, energy savings project, with a fixed interest rate of 3.25%	1,815,099	-	117,083	1,698,016

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 7 – CAPITAL LEASE OBLIGATIONS (CONTINUED)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital lease obligation, original balance of \$154,196 with a fixed interest rate of 3.10%	<u>117,664</u>	-	<u>30,054</u>	<u>87,610</u>
<b>Totals</b>	<b><u>\$ 4,874,568</u></b>	<b><u>\$ 1,003,729</u></b>	<b><u>\$ 1,768,942</u></b>	<b><u>\$ 4,109,355</u></b>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 669,004	\$ 129,596	\$ 798,600
2020	698,614	109,738	808,352
2021	593,366	93,326	686,692
2022	227,878	78,638	306,516
2023	239,296	70,985	310,281
2024-2028	1,667,349	246,555	1,913,904
2029-2030	<u>13,848</u>	<u>433</u>	<u>14,281</u>
<b>Totals</b>	<b><u>\$ 4,109,355</u></b>	<b><u>\$ 729,271</u></b>	<b><u>\$ 4,838,626</u></b>

Interest and fees paid on the capital lease obligations of \$40,969 are included in water park/RV park expenses, \$2,654 are included in sanitation department and \$139,865 are included in general fund expenses.

BUSINESS-TYPE ACTIVITIES

The following is a summary of the capital lease obligation – business-type activities at June 30:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital lease obligation, original balance of \$421,271 with a fixed interest rate of 4.55%	-	<u>\$ 421,271</u>	-	<u>\$ 421,271</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 56,161	\$ 31,154	\$ 87,315
2020	33,359	17,890	51,249
2021	33,355	16,221	49,576
2022	36,289	14,494	50,783
2023	37,787	12,659	50,446
2024-2028	<u>224,320</u>	<u>31,286</u>	<u>255,606</u>
<b>Totals</b>	<b><u>\$ 421,271</u></b>	<b><u>\$ 123,704</u></b>	<b><u>\$ 544,975</u></b>

There was no interest paid during the current fiscal year.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 8 – NOTES PAYABLE

GOVERNMENTAL ACTIVITIES

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2018</u>
4.00% note payable, secured by police department equipment, monthly payments of \$1,182 including interest, matures June, 2018	\$ 13,770	\$ -	\$ 13,770	\$ -
4.15% note payable, secured by fire truck, monthly payments of \$3,319 including interest, matures November, 2017	16,124	-	16,124	-
3.25% note payable, guaranteed by RV park development, monthly payments of \$4,978 including interest, matures November, 2019	137,889	-	56,353	81,536
2.99% note payable, unsecured, monthly payments of \$5,000 including interest, matures November, 2020	194,407	-	53,431	140,976
3.25% note payable, unsecured, matures June, 2021	<u>10,600</u>	<u>-</u>	<u>2,500</u>	<u>8,100</u>
<b>Totals</b>	<u>\$ 372,790</u>	<u>\$ -</u>	<u>\$ 142,178</u>	<u>\$ 230,612</u>

Interest of \$565 for the year is included in fire department expenses, \$429 is included in police department expenses, \$10,216 is included in water park/RV park expenses and \$305 is included in general fund expenses.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 117,267	\$ 5,395	\$ 122,662
2020	84,095	2,015	86,110
2021	<u>29,250</u>	<u>270</u>	<u>29,520</u>
<b>Totals</b>	<u>\$ 230,612</u>	<u>\$ 7,680</u>	<u>\$ 238,292</u>

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, 2018 was \$226,899.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 8 – NOTES PAYABLE (CONTINUED)

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>
2019	\$ 19,914	\$ 1,997	\$ 21,911
2020	20,054	1,818	21,872
2021	20,194	1,637	21,831
2022	20,336	1,455	21,791
2023	20,479	1,272	21,751
2024-2028	104,567	3,563	108,130
2029	21,355	144	21,499
Totals	<u>\$ 226,899</u>	<u>\$ 11,886</u>	<u>\$ 238,785</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 \$530,028 at June 30, 2018. 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>
2019	\$ 31,777	\$ 6,265	\$ 38,042
2020	32,097	5,883	37,980
2021	32,419	5,496	37,915
2022	32,743	5,107	37,850
2023	33,072	4,713	37,785
2024-2028	170,398	17,516	187,914
2029-2033	179,115	7,058	186,173
2034	18,407	110	18,517
Totals	<u>\$ 530,028</u>	<u>\$ 52,148</u>	<u>\$ 582,176</u>

The City obtained construction financing in the amount of \$2,456,489 from the Kentucky Infrastructure Authority (A17-031) for the sanitary sewer rehabilitation and I and I removal project. Funds in the amount of \$1,767,610 were drawn down as of June 30, 2018, of which \$254,445 was for construction in progress and \$1,513,165 was to refinance existing debt.

NOTE 9 – BONDS PAYABLE

GOVERNMENTAL ACTIVITIES

The City is participating in a bond issue in cooperation with the Kentucky League of Cities for the amount of \$310,000. The proceeds will be used for the acquisition, construction, installation and equipping of fire hydrants.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 9 – BONDS PAYABLE (CONTINUED)

Debt service requirements to maturity are as follows:

<u>FINANCING PROGRAM REVENUE BONDS, SERIES 2018A</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 14,028	\$ 9,708	\$ 23,736
2020	17,083	9,063	26,146
2021	20,000	8,550	28,550
2022	20,000	7,950	27,950
2023	20,000	7,350	27,350
2024	20,000	6,750	26,750
2025	20,000	6,150	26,150
2026	20,000	5,550	25,550
2027	20,000	4,950	24,950
2028	22,083	4,350	26,433
2029	25,000	3,675	28,675
2030	25,000	2,893	27,893
2031	25,000	2,112	27,112
2032	25,000	1,318	26,318
2033	14,584	492	15,076
<b>Totals</b>	<b><u>\$ 307,778</u></b>	<b><u>\$ 80,861</u></b>	<b><u>\$ 388,639</u></b>

Interest and fees of \$12,402 were included in fire department expenses.

BUSINESS-TYPE ACTIVITIES

Revenue bonds of \$1,018,000 with interest at the rate of 5% were issued by the City on September 11, 1990, to defray the cost (not otherwise provided) of a sewer line expansion project. The bonds outstanding of \$501,000 were refinanced with a loan from KIA.

Rural Utilities Service Revenue bonds of \$1,866,000 with interest at the rate of 4.5% were issued by the City on June 5, 2003, 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 were refinanced with a loan from KIA.

NOTE 10 – 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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 10 – RISK MANAGEMENT (CONTINUED)

if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' 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.

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 11 – RETIREMENT PLANS

Plan Description

The City of Williamsburg participates in the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. CERS issues publicly available financial reports that include financial statements and required supplementary information. CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. 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. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 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 the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 11 – RETIREMENT PLANS (CONTINUED)

preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The City's contractually required contribution rate for the year ended June 30, 2018, was 19.18% (14.48% for Pension and 4.70% for OPEB).

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 of \$4,315,527 for its proportionate share of the net pension liability. 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. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2018, the City's proportion was .073728 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$702,600. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for City contributions subsequent to the measurement date of \$285,848 and (2) Deferred outflows (inflows) of resources for differences between expected and actual experience, etc. of \$802,588. The amount reported as deferred outflows for the City contributions subsequent to the measurement date of \$285,848 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	Principal
2018	\$ 326,297
2019	357,732
2020	173,972
2021	(55,413)
Totals	<u>\$ 802,588</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25% for CERS non-hazardous

The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major assets class are summarized in the CAFR.

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	17.5%
Non US Equity	17.5%
Global Fixed Income	4.0%
Credit Fixed Income	24.0%
Real Estate	5.0%
Absolute Return	10.0%
Real Return	10.0%
Private Equity ST <5 Yrs	10.0%
Cash	2.0%
	<u>100.0%</u>

Actuarial Methods and Assumptions Used to Determine the Actuarial Determined Contribution

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50% for CERS non-hazardous

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 11 – RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows of Resources

The deferred inflows and outflows of resources, and pension expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$ 5,442,812	\$ 4,315,527	\$ 3,372,561

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report, which is publically available at <https://kyret.ky.gov>.

DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The City, therefore, does not show these assets and liabilities on these financial statements.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information

*Plan description* – Employees of the City are provided OPEBs through the County Employees' Retirement System of the State of Kentucky (CERS) – a cost sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for agencies in the state.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Medical Insurance Plan

*Plan description* – The CERS Medical Insurance benefit is a cost sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the CERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the CERS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the CERS Medicare Eligible Health Plan.

*Contributions* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions and three-quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the City reported a liability of \$1,482,185 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was .073728 percent.

Of the total amount reported as deferred outflows of resources related to OPEB, \$92,758 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

<u>Year</u>	
2018	\$ 42,140
2019	42,140
2020	42,140
2021	42,140
2022	59,652
Thereafter	16,703
	<u>\$ 244,915</u>

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

\*Modeled as 50% High Yield and 50% Bank Loans

*Discount rate* – The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1% Increase (6.84%)</u>
City's net OPEB liability	<u>\$ 1,585,998</u>	<u>\$ 1,482,185</u>	<u>\$ 1,146,149</u>

The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability	<u>\$ 2,136,912</u>	<u>\$ 1,911,900</u>	<u>\$ 1,931,019</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 13 – 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.

Effective June, 2018, the City entered into a master lease agreement with Enterprise FM Trust for the lease of various vehicles. All rental and other payments owed by the City with respect to the vehicles under the master lease agreement are paid to Enterprise Fleet Management in its capacity as the servicer for Enterprise FM Trust. The five vehicles under the master lease agreement at June 30, 2018 have various effective dates and terms, but are typically due over a forty-eight month period.

Future minimum lease payments under non-cancelable operating leases related to the above vehicles and the additional eight vehicles added in July, 2018 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 108,311
2020	108,311
2021	108,311
2022	108,311
Total	<u>\$ 433,244</u>

The following list includes all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments) as well as any pending or threatened litigation, claims, and assessments for the City of Williamsburg as of June 30, 2018.

- 1) Tristan James Hall vs City of Williamsburg, Kentucky, Wayne Bird, Chief of Police for the City of Williamsburg, Kentucky, et als., U.S. District Court, Eastern District of Kentucky, London Division, Action No. 6:16-cv-00304-DCR – suit filed February 8, 2017 – claims against the City and Chief Bird of unlawful arrest, false imprisonment, wrongful detention, intentional infliction of emotional distress, negligent infliction of emotional distress, abuse of process, negligence and defamation; the City has filed an answer to the Complaint and various Motions seeking dismissal and intends to contest the case vigorously; an estimate of the amount or range of potential loss can not be made pending discovery and deposition of the plaintiff;
- 2) Midsouth Capital Partners, LP. vs Ben Lawson, et als (including the City of Williamsburg, Kentucky), Whitley Circuit Court, Division I, Civil Action No. 12-CI-00264 – suit filed April of 2012 – litigation seeks a sale of real property to satisfy tax liens; as of June 30, 2018, the City has filed an answer setting forth the delinquent tax bills and intends to pursue the case vigorously; it is anticipated that the real property will be sold by the Master Commissioner with the proceeds utilized to satisfy the delinquent tax bills, including those owed to the City.

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

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 14 – 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 15 – 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	\$ 25,000
Operating	Williamsburg Tourism Commission	General	Debt service requirement	372,000
Operating	LGEA	General	Reimbursement of expenses	25,669

**NOTE 16 – DUE (TO) FROM PRIMARY GOVERNMENT**

Due (to) from primary government consisted of the following at June 30, 2018:

<u>Governmental Activities</u>		
Due from component unit – Williamsburg Tourism Commission		\$ 31,990
Due from business-type activities – Water and Sewer Fund		<u>569,582</u>
Total		<u>\$ 601,572</u>

**NOTE 17 – DEFICIT OPERATING/FUND BALANCES**

The following governmental fund had operations that resulted in a current year operating deficit:

Municipal Road Aid	<u>\$ 118,332</u>
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**NOTE 18 – FUND BALANCE DESIGNATIONS**

The following governmental funds had restricted fund balances at June 30, 2018:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue	\$ 159,470	Municipal roads
Special Revenue	154,734	Tourism and recreation
Special Revenue	5	LGEA

**NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2017, the City was required to adopt Government Accounting Standards Board (GASB) Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. It requires that certain disclosures regarding postemployment benefits other than OPEBs be included in their financial statements.

GASB 75 required retrospective application. Since the City only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,162,582 reduction in beginning net position on the Statement of Activities.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 20 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through November 5, 2018, the date on which we issued our financial statements. .

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Years Ended June 30,

	<u>Reporting Fiscal Year (Measurement Date)</u>			
	<u>2018</u> <u>(2017)</u>	<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>				
City and PSCA's proportion of the net pension liability	.073728%	.06894%	.074861%	.074129%
City and PSCA's proportionate share of the net pension liability	\$ 4,315,527	\$ 3,394,511	\$ 3,218,659	\$ 2,405,000
City and PSCA's covered-employee payroll	\$ 1,985,816	\$ 1,846,366	\$ 1,695,788	\$ 1,779,716
City and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.32%	183.85%	189.80%	135.13%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS  
Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
Contractually required contribution	\$ 285,848	\$ 344,901	\$ 289,370	\$ 314,515	\$ 326,944
Contributions in relation to the contractually required contribution	<u>(285,848)</u>	<u>(344,901)</u>	<u>(289,370)</u>	<u>(314,515)</u>	<u>(326,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City and PSCA's covered- employee payroll	\$1,985,816	\$1,846,366	\$1,695,788	\$1,779,716	\$1,730,777
City and PSCA's contributions as a percentage of its covered- employee payroll	19.18%	18.68%	17.06%	17.67%	18.89%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2018

(1) CHANGES OF ASSUMPTIONS

The assumption changes are noted below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contributions are calculated on an annual basis on an experience study of July 1, 2008 – June 30, 2013. The amortization period of the unfunded liability has been reset as of June 30, 2015 to a closed 28-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

There were no changes of benefit terms.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICAL INSURANCE PLAN  
Year Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2018 <u>(2017)</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>	
City and PSCA's proportion of the net OPEB liability	.073728%
City and PSCA's proportionate share of the net OPEB liability	\$ 1,482,185
City and PSCA's covered-employee payroll	\$ 1,985,816
City and PSCA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.63%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

SCHEDULE OF CITY'S CONTRIBUTIONS – MEDICAL INSURANCE PLAN  
Year Ended June 30,

	<u>2018</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 92,758
Contributions in relation to the contractually required contribution	<u>(92,758)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City and PSCA's covered-employee payroll	\$ 1,985,816
City and PSCA's contributions as a percentage of its covered-employee payroll	4.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2018

*Changes of benefit terms* – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 673,800	\$ 673,800	\$ 738,809	\$ 65,009
Franchise	186,150	186,150	199,227	13,077
Municipal insurance	330,000	330,000	346,178	16,178
Occupational tax	720,000	720,000	894,762	174,762
Payment in lieu of taxes	20,000	20,000	23,728	3,728
Sanitation department	760,200	760,200	799,583	39,383
Police department	273,114	273,114	270,674	(2,440)
Recreation department	1,000	1,000	1,400	400
Fire department	34,850	34,850	34,891	41
Water park/RV park	1,439,500	1,439,500	1,444,050	4,550
Earnings on investments	2,300	2,300	3,848	1,548
General government	370,415	370,415	56,463	(313,952)
Proceeds from bond issue	-	-	310,000	310,000
Lease premium	-	-	152,887	152,887
<b>TOTAL REVENUES</b>	<b>4,811,329</b>	<b>4,811,329</b>	<b>5,276,500</b>	<b>465,171</b>
<b>EXPENDITURES</b>				
General government	1,091,401	1,091,401	1,131,466	(40,065)
Police department	1,063,527	1,063,527	1,156,566	(93,039)
Fire department	365,370	365,370	402,967	(37,597)
Street department	81,699	81,699	91,288	(9,589)
Sanitation department	720,125	720,125	674,011	46,114
Recreation department	94,184	94,184	91,263	2,921
Water park/RV park	1,912,242	1,912,242	1,788,101	124,141
<b>TOTAL EXPENDITURES</b>	<b>5,328,548</b>	<b>5,328,548</b>	<b>5,335,662</b>	<b>(7,114)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(517,219)</b>	<b>(517,219)</b>	<b>(59,162)</b>	<b>458,057</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	517,219	517,219	302,664	(214,555)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>517,219</b>	<b>517,219</b>	<b>302,664</b>	<b>(214,555)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ _____ -</b>	<b>\$ _____ -</b>	<b>243,502</b>	<b>\$ 243,502</b>
<b>FUND BALANCE, JULY 1, 2017</b>			<b>1,461,450</b>	
<b>FUND BALANCE, JUNE 30, 2018</b>			<b>\$ 1,704,952</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, 2018

	<u>Municipal Road Aid</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues:				
Street department	\$ 103,627	\$ 103,627	\$ -	\$ (103,627)
Coal and mineral grants	-	-	-	-
FEMA revenues	-	-	12,500	12,500
Earnings on investments	<u>350</u>	<u>350</u>	<u>613</u>	<u>263</u>
TOTAL REVENUES	<u>103,977</u>	<u>103,977</u>	<u>13,113</u>	<u>(90,864)</u>
EXPENDITURES				
Street department	<u>84,500</u>	<u>84,500</u>	<u>131,445</u>	<u>(46,945)</u>
TOTAL EXPENDITURES	<u>84,500</u>	<u>84,500</u>	<u>131,445</u>	<u>(46,945)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>19,477</u>	<u>19,477</u>	<u>(118,332)</u>	<u>(137,809)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>\$ 19,477</u>	<u>\$ 19,477</u>	<u>(118,332)</u>	<u>\$ (137,809)</u>
FUND BALANCES, JULY 1, 2017			<u>277,802</u>	
FUND BALANCES, JUNE 30, 2018			<u>\$ 159,470</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>		
\$ -	\$ -	\$ -	\$ -
24,000	24,000	25,652	1,652
-	-	-	-
50	50	17	(33)
<u>24,050</u>	<u>24,050</u>	<u>25,669</u>	<u>1,619</u>
-	-	-	-
-	-	-	-
<u>24,050</u>	<u>24,050</u>	<u>25,669</u>	<u>1,619</u>
<u>(24,050)</u>	<u>(24,050)</u>	<u>(25,664)</u>	<u>(1,614)</u>
<u>(24,050)</u>	<u>(24,050)</u>	<u>(25,664)</u>	<u>(1,614)</u>
<u>\$ -</u>	<u>\$ -</u>	5	<u>\$ 5</u>
		-	
		<u>\$ 5</u>	

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL  
Year Ended June 30, 2018

The City's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the City prepares an annual budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget ordinance shall be submitted to the council not later than thirty days prior to the beginning of the fiscal year it covers. The council adopts the budget ordinance after the required two readings. The budget ordinance is then published by title and summary within thirty days of its adoption. The City has the ability to amend the budget. The budget was not amended during the year.

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS  
June 30, 2018

	Municipal Road Aid	Local Government Economic Assistance	Tourism and Recreation	Total
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 161,030	\$ 5	\$ 64,998	\$ 226,033
Accounts receivable:				
Taxes	-	-	89,736	89,736
Intergovernmental – state/federal	12,500	-	-	12,500
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 173,530</u>	<u>\$ 5</u>	<u>\$ 154,734</u>	<u>\$ 328,269</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued expenses	\$ 14,060	\$ -	\$ -	\$ 14,060
<b>TOTAL LIABILITIES</b>	<u>14,060</u>	<u>-</u>	<u>-</u>	<u>14,060</u>
Restricted				
Municipal roads	159,470	-	-	159,470
Special projects	-	5	-	5
Tourism and recreation	-	-	154,734	154,734
<b>TOTAL FUND BALANCES</b>	<u>159,470</u>	<u>5</u>	<u>154,734</u>	<u>314,209</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 173,530</u>	<u>\$ 5</u>	<u>\$ 154,734</u>	<u>\$ 328,269</u>

CITY OF WILLIAMSBURG  
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS  
Year Ended June 30, 2018

	<u>Municipal Road Aid</u>	<u>Local Government Economic Assistance</u>	<u>Tourism and Recreation</u>	<u>Total</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Water park/RV park	\$ -	\$ -	\$ 1,455	\$ 1,455
Coal and mineral grants	-	25,652	-	25,652
FEMA revenues	12,500	-	-	12,500
Earnings on investments	613	17	176	806
<b>TOTAL REVENUES</b>	<u>13,113</u>	<u>25,669</u>	<u>1,631</u>	<u>40,413</u>
<b>EXPENDITURES</b>				
Street department	131,445	-	-	131,445
Water park/RV park	-	-	120,000	120,000
<b>TOTAL EXPENDITURES</b>	<u>131,445</u>	<u>-</u>	<u>120,000</u>	<u>251,445</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(118,332)</u>	<u>25,669</u>	<u>(118,369)</u>	<u>(211,032)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	120,000	120,000
Operating transfers out	-	(25,664)	-	(25,664)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(25,664)</u>	<u>120,000</u>	<u>94,336</u>
<b>NET CHANGE IN FUND BALANCES</b>	(118,332)	5	1,631	(116,696)
<b>FUND BALANCES, JULY 1, 2017</b>	<u>277,802</u>	<u>-</u>	<u>153,103</u>	<u>430,905</u>
<b>FUND BALANCES, JUNE 30, 2018</b>	<u>\$ 159,470</u>	<u>\$ 5</u>	<u>\$ 154,734</u>	<u>\$ 314,209</u>

# Marr, Miller & Myers, PSC

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## 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 5, 2018

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, 2018, 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 5, 2018.

### **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