

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2015

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Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT

October 30, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 38-39, 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 and production data, 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 and production data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

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, 2015. 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 \$1,702,932 in 2015 and \$1,495,948 in 2014.
- The General Fund had \$5,934,181 in revenues (excluding interfund transfers), which primarily consisted of the occupational, property, franchise, and municipal insurance taxes. Excluding interfund transfers, there were \$6,056,142 in General Fund expenditures.
- Governmental capital assets had a net increase of \$208,932. Business-type capital assets had a net decrease of \$267,269 during the current fiscal year.
- Capital leases and notes are used to finance long-term capital projects. The total debt increased by \$1,040,005.

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 through 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.

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Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

- **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, 2015

Fiscal year 2015 government-wide net position of the primary government compared to 2014 is as follows:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Current assets | \$ 2,799,722 | \$ 2,834,603 |
| Noncurrent assets | 32,626,136 | 32,684,473 |
| Deferred outflows (inflows) of resources | <u>46,515</u> | <u>-</u> |
| Total Assets and Deferred Outflows (Inflows) of Resources | <u>\$ 35,472,373</u> | <u>\$ 35,519,076</u> |
| Current liabilities | \$ 1,452,716 | \$ 1,509,844 |
| Noncurrent liabilities | <u>10,627,918</u> | <u>7,360,204</u> |
| Total Liabilities | <u>\$ 12,080,634</u> | <u>\$ 8,870,048</u> |
| Net position | | |
| Net investment in capital assets | \$ 23,503,585 | \$ 24,601,927 |
| Restricted | 1,013,174 | 965,618 |
| Unrestricted (deficit) | <u>(1,125,020)</u> | <u>1,081,483</u> |
| Total Net Position | <u>\$ 23,391,739</u> | <u>\$ 26,649,028</u> |

CITY OF WILLIAMSBURG
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

The most significant change in the financial position of the City since the last audit was the increase in liabilities in the amount of \$3,210,586. These increases were primarily due to capital lease and note proceeds and the related liability incurred in 2015 along with the recognition of the CERS net pension liability of \$2,405,000. The net investment in capital assets had a decrease in the amount of \$1,098,342.

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>2015</u> | | <u>2014</u> | |
|--|--------------------|----------------|---------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| REVENUES | | | | |
| Taxes | \$ 1,807,973 | 29.39% | \$ 1,844,835 | 43.48% |
| Sanitation department | 732,424 | 11.91 | 726,380 | 17.12 |
| Police department | 163,934 | 2.66 | 190,548 | 4.49 |
| Recreation department | 75,327 | 1.22 | 28,443 | .67 |
| Street department | 116,038 | 1.89 | 121,368 | 2.86 |
| Fire department | 27,342 | .44 | 37,114 | .87 |
| Water park/RV park | 1,627,095 | 26.45 | 1,150,557 | 27.12 |
| Earnings on investments | 3,632 | .06 | 5,596 | .13 |
| General government | <u>1,598,024</u> | <u>25.98</u> | <u>138,133</u> | <u>3.26</u> |
| TOTAL REVENUES | <u>6,151,789</u> | <u>100.00</u> | <u>4,242,974</u> | <u>100.00</u> |
| EXPENDITURES | | | | |
| General government | 2,212,068 | 35.96 | 908,901 | 21.42 |
| Police department | 954,202 | 15.51 | 950,408 | 22.40 |
| Fire department | 396,366 | 6.44 | 393,804 | 9.28 |
| Street department | 163,154 | 2.65 | 195,000 | 4.60 |
| Sanitation department | 530,108 | 8.62 | 521,394 | 12.29 |
| Recreation department | 83,452 | 1.36 | 95,666 | 2.25 |
| Water park/RV park | <u>1,843,246</u> | <u>29.96</u> | <u>1,397,996</u> | <u>32.95</u> |
| TOTAL EXPENDITURES | <u>6,182,596</u> | <u>100.50</u> | <u>4,463,169</u> | <u>105.19</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (30,807)</u> | <u>(.50)%</u> | <u>\$ (220,195)</u> | <u>(5.19)%</u> |

In reviewing the excess (deficiency), the City showed a net deficiency before transfers of \$30,807 at June 30, 2015, as compared to a net deficiency before transfers of \$220,195 at June 30, 2014. Revenues increased \$1,908,815. Expenditures increased \$1,719,427.

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 \$32,423 as compared to budget. The water park revenue was \$350,305 over budget. When you eliminate the \$275,000 in note proceeds for the RV park, the water park revenues were still up \$75,305. The water park expenditures were over budget by \$279,523. When you eliminate the \$275,000 in RV park costs, which were not budgeted, the expenses were only over budget \$4,523. The end result was that actual net revenues for the water park

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

were \$70,782 more than budget. General government revenues were \$1,538,105 more than budget. When you eliminate the energy savings capital lease proceeds of \$1,517,261 that was not budgeted, the revenues were only \$20,844 more than budget. General government expenses were \$1,408,642 more than budget. When you eliminate the energy savings project costs of \$1,517,261 that were not budgeted, then the general government expenditures were \$108,619 less than budget. The City ended the year with a fund balance that was \$202,926 more than what was budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$19,372,713 invested in capital assets for governmental funds. This represents a net increase of \$50,769.

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

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| Land | \$ 3,343,032 | \$ 3,417,032 |
| Buildings, improvements and infrastructure | 4,944,805 | 5,919,805 |
| Recreation facilities | 7,255,039 | 6,953,263 |
| Equipment | 2,413,736 | 3,017,468 |
| Construction in progress | 1,416,101 | 14,376 |
| Totals | <u>\$ 19,372,713</u> | <u>\$ 19,321,944</u> |

Debt Administration

At year-end, the City has \$9,122,551 of outstanding notes, bonds and capital leases compared to \$8,082,546 last year. That is an increase of 12.87%.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|--|--------------------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Notes (backed by City) | \$ 376,162 | \$ 178,636 | \$ 909,296 | \$ 959,196 | \$ 1,285,458 | \$ 1,137,832 |
| Bonds (backed by fee revenues) | - | - | 2,365,500 | 2,519,500 | 2,365,500 | 2,519,500 |
| Capital lease obligations (backed by City) | <u>5,471,593</u> | <u>4,425,214</u> | <u>-</u> | <u>-</u> | <u>5,471,593</u> | <u>4,425,214</u> |
| Totals | <u>\$5,847,755</u> | <u>\$4,603,850</u> | <u>\$3,274,796</u> | <u>\$3,478,696</u> | <u>\$9,122,551</u> | <u>\$8,082,546</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

CITY OF WILLIAMSBURG
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2015

All departments of the City continue to improve operations over the previous years. The Police Department has installed video cameras in all vehicles to obtain more positive outcomes in law enforcement cases with better evidence. The Street and Sanitation Departments continue to provide maintenance and improvements to the City's infrastructure, facilities and equipment. The Water and Sewer Department continues to repair and/or replace existing water meters and other improvements to increase operational efficiency

In summary, the City enjoys a high level of services, excellent facilities, and adequate financial reserves at a very low tax rate. However, the reality is that steady development in the City that would generate new revenue to offset increased costs has not occurred.

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, 2015

| <u>ASSETS</u> | <u>Primary Government</u> | | | <u>Component Unit</u> |
|--|--------------------------------|---------------------------------|-------------------|--|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Williamsburg Tourism Commission</u> |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 1,462,678 | \$ 240,254 | \$ 1,702,932 | \$ 284,194 |
| Investments | - | 245,038 | 245,038 | - |
| Accounts receivable: | | | | |
| Taxes, less allowance for doubtful accounts of \$3,675 | 346,011 | - | 346,011 | - |
| Accounts receivable, less allowance for doubtful accounts of \$3,718 | - | 273,615 | 273,615 | - |
| Unbilled accounts receivable | - | 161,902 | 161,902 | - |
| Other receivables | 2,849 | - | 2,849 | - |
| Intergovernmental – state | 40,932 | - | 40,932 | - |
| Due (to) from primary government | 527,604 | (501,161) | 26,443 | (26,443) |
| Total current assets | <u>2,380,074</u> | <u>419,648</u> | <u>2,799,722</u> | <u>257,751</u> |
| NONCURRENT ASSETS | | | | |
| Capital assets, net | 14,194,166 | 18,431,970 | 32,626,136 | 219,801 |
| Total noncurrent assets | <u>14,194,166</u> | <u>18,431,970</u> | <u>32,626,136</u> | <u>219,801</u> |
| DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES | 46,515 | - | 46,515 | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES | <u>16,620,755</u> | <u>18,851,618</u> | <u>35,472,373</u> | <u>477,552</u> |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued expenses | 140,450 | 339,333 | 479,783 | 2,348 |
| Customer deposits | - | 73,300 | 73,300 | - |
| Current portion of bond obligations | - | 161,500 | 161,500 | - |
| Current portion of capital lease obligations | 585,694 | - | 585,694 | - |
| Current portion of notes payable | 102,097 | 50,342 | 152,439 | - |
| Total current liabilities | <u>828,241</u> | <u>624,475</u> | <u>1,452,716</u> | <u>2,348</u> |
| NONCURRENT LIABILITIES | | | | |
| Noncurrent portion of bond obligations | - | 2,204,000 | 2,204,000 | - |
| Noncurrent portion of capital lease obligations | 4,885,899 | - | 4,885,899 | - |
| Noncurrent portion of notes payable | 274,065 | 858,954 | 1,133,019 | - |
| Net pension liability – CERS | 2,405,000 | - | 2,405,000 | - |
| Total noncurrent liabilities | <u>7,564,964</u> | <u>3,062,954</u> | <u>10,627,918</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>8,393,205</u> | <u>3,687,429</u> | <u>12,080,634</u> | <u>2,348</u> |

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

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2015

| | Primary Government | | | Component Unit |
|----------------------------------|-------------------------|--------------------------|----------------------|---------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Williamsburg Tourism Commission |
| NET POSITION | | | | |
| Net investment in capital assets | 8,346,411 | 15,157,174 | 23,503,585 | 219,801 |
| Restricted | | | | |
| Customer deposits | - | 73,300 | 73,300 | - |
| Debt service | - | 377,338 | 377,338 | - |
| Waterline and meter replacement | - | 30,204 | 30,204 | - |
| Municipal roads | 394,332 | - | 394,332 | - |
| Economic development | 6 | - | 6 | - |
| Tourism and recreation | 137,994 | - | 137,994 | 255,403 |
| Unrestricted (deficit) | (651,193) | (473,827) | (1,125,020) | - |
| TOTAL NET POSITION | <u>\$ 8,227,550</u> | <u>\$ 15,164,189</u> | <u>\$ 23,391,739</u> | <u>\$ 475,204</u> |

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

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

| FUNCTIONS/PROGRAMS | Expenses | PROGRAM REVENUES | | |
|---------------------------------------|--------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General government | \$ 853,957 | \$ 42,759 | \$ 29,919 | \$ - |
| Police department | 958,286 | 14,693 | 149,241 | - |
| Fire department | 380,368 | 853 | 26,489 | - |
| Street department | 174,540 | - | 116,038 | - |
| Sanitation department | 536,955 | 732,424 | - | - |
| Recreation department | 99,022 | 4,845 | - | - |
| Water park/RV park | 1,284,415 | 1,352,095 | - | - |
| TOTAL GOVERNMENTAL ACTIVITIES | 4,287,543 | 2,147,669 | 321,687 | - |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Water and sewer | 2,266,423 | 1,894,204 | - | 243,587 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 2,266,423 | 1,894,204 | - | 243,587 |
| TOTAL PRIMARY GOVERNMENT | \$6,553,966 | \$4,041,873 | \$ 321,687 | \$ 243,587 |
| COMPONENT UNIT: | | | | |
| Williamsburg Tourism Commission | \$ 426,729 | \$ 21,254 | \$ 19,762 | \$ - |
| TOTAL COMPONENT UNIT | \$ 426,729 | \$ 21,254 | \$ 19,762 | \$ - |

GENERAL REVENUES

| |
|--|
| Taxes |
| Property tax |
| Franchise tax |
| Municipal insurance tax |
| Occupational tax |
| Payment in lieu of taxes |
| Transient room tax |
| Restaurant tax |
| Earnings on investments |
| Other local revenues |
| Loss on disposition of assets |
| Total general revenues |
| Transfers from component unit |
| Total general revenues and transfers |
| Change in net position |
| Net position, July 1, 2014, as previously reported |
| Restatement for adoption of GASB 68 |
| Net position, July 1, 2014, as restated |
| Net position, June 30, 2015 |

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Unit</u> |
|------------------------------------|-------------------------------------|----------------------|---------------------------|
| \$ (781,279) | | \$ (781,279) | |
| (794,352) | | (794,352) | |
| (353,026) | | (353,026) | |
| (58,502) | | (58,502) | |
| 195,469 | | 195,469 | |
| (94,177) | | (94,177) | |
| 67,680 | | 67,680 | |
| <u>(1,818,187)</u> | | <u>(1,818,187)</u> | |
| | \$ (128,632) | (128,632) | |
| | <u>(128,632)</u> | <u>(128,632)</u> | |
| | | <u>(1,946,819)</u> | |
| | | | \$ (385,713) |
| | | | <u>(385,713)</u> |
| 614,339 | - | 614,339 | - |
| 192,391 | - | 192,391 | - |
| 303,355 | - | 303,355 | - |
| 679,609 | - | 679,609 | - |
| 18,279 | - | 18,279 | - |
| - | - | - | 150,128 |
| 70,482 | - | 70,482 | 566,479 |
| 3,632 | 1,631 | 5,263 | 760 |
| 8,085 | - | 8,085 | 4,381 |
| <u>(1,015,250)</u> | <u>(976)</u> | <u>(1,016,226)</u> | <u>-</u> |
| 874,922 | 655 | 875,577 | 721,748 |
| <u>294,953</u> | <u>-</u> | <u>294,953</u> | <u>(294,953)</u> |
| <u>1,169,875</u> | <u>655</u> | <u>1,170,530</u> | <u>426,795</u> |
| <u>(648,312)</u> | <u>(127,977)</u> | <u>(776,289)</u> | <u>41,082</u> |
| 11,356,862 | 15,292,166 | 26,649,028 | 434,122 |
| <u>(2,481,000)</u> | <u>-</u> | <u>(2,481,000)</u> | <u>-</u> |
| <u>8,875,862</u> | <u>15,292,166</u> | <u>24,168,028</u> | <u>434,122</u> |
| <u>\$ 8,227,550</u> | <u>\$ 15,164,189</u> | <u>\$ 23,391,739</u> | <u>\$ 475,204</u> |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------------------|---|
| ASSETS AND RESOURCES | | | |
| Cash and cash equivalents | \$ 1,024,085 | \$ 438,593 | \$ 1,462,678 |
| Accounts receivable: | | | |
| Taxes, less allowance for doubtful accounts of \$3,675 | 264,109 | 81,902 | 346,011 |
| Other receivables | 2,849 | - | 2,849 |
| Intergovernmental – state | 26,948 | 13,984 | 40,932 |
| Due (to) from primary government | 527,604 | - | 527,604 |
| TOTAL ASSETS AND RESOURCES | <u>\$ 1,845,595</u> | <u>\$ 534,479</u> | <u>\$ 2,380,074</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Accounts payable and accrued expenses | \$ 138,303 | \$ 2,147 | \$ 140,450 |
| Restricted | | | |
| Municipal roads | - | 394,332 | 394,332 |
| Economic development | - | 6 | 6 |
| Tourism and recreation | - | 137,994 | 137,994 |
| Unassigned | 1,707,292 | - | 1,707,292 |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,845,595</u> | <u>\$ 534,479</u> | <u>\$ 2,380,074</u> |

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, 2015

| | |
|---|----------------------------|
| Total Fund Balances – Governmental Funds | \$ 2,239,624 |
| 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. | 14,194,166 |
| CERS contributions subsequent to the measurement date (\$314,515) net of the net difference between projected and actual earnings on CERS pension plan investments are reported as deferred outflows (inflows) of resources in governmental funds. | 46,515 |
| NET CERS pension 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. | (2,405,000) |
| Certain liabilities, such as capital lease obligations, bonds payable and notes payable, are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position. | <u>(5,847,755)</u> |
| Total Net Position – Governmental Funds | <u>\$ 8,227,550</u> |

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, 2015

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| REVENUES | | | |
| Taxes | | | |
| Property | \$ 614,339 | \$ - | \$ 614,339 |
| Franchise | 192,391 | - | 192,391 |
| Municipal insurance | 303,355 | - | 303,355 |
| Occupational | 679,609 | - | 679,609 |
| Payment in lieu of taxes | 18,279 | - | 18,279 |
| Sanitation department | 732,424 | - | 732,424 |
| Police department | 163,934 | - | 163,934 |
| Recreation department | 4,845 | 70,482 | 75,327 |
| Street department | - | 116,038 | 116,038 |
| Fire department | 27,342 | - | 27,342 |
| Water park/RV park | 1,627,095 | - | 1,627,095 |
| Earnings on investments | 2,463 | 1,169 | 3,632 |
| General government | <u>1,568,105</u> | <u>29,919</u> | <u>1,598,024</u> |
| TOTAL REVENUES | <u>5,934,181</u> | <u>217,608</u> | <u>6,151,789</u> |
| EXPENDITURES | | | |
| General government | 2,212,068 | - | 2,212,068 |
| Police department | 954,202 | - | 954,202 |
| Fire department | 396,366 | - | 396,366 |
| Street department | 71,633 | 91,521 | 163,154 |
| Sanitation department | 530,108 | - | 530,108 |
| Recreation department | 83,452 | - | 83,452 |
| Water park/RV park | <u>1,808,313</u> | <u>34,933</u> | <u>1,843,246</u> |
| TOTAL EXPENDITURES | <u>6,056,142</u> | <u>126,454</u> | <u>6,182,596</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(121,961)</u> | <u>91,154</u> | <u>(30,807)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 324,887 | - | 324,887 |
| Operating transfers out | - | (29,934) | (29,934) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>324,887</u> | <u>(29,934)</u> | <u>294,953</u> |
| NET CHANGE IN FUND BALANCES | 202,926 | 61,220 | 264,146 |
| FUND BALANCES, JULY 1, 2014 | <u>1,504,366</u> | <u>471,112</u> | <u>1,975,478</u> |
| FUND BALANCES, JUNE 30, 2015 | <u>\$ 1,707,292</u> | <u>\$ 532,332</u> | <u>\$ 2,239,624</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, 2015

| | | |
|--|------------------|----------------------------|
| Net Change In Fund Balances per fund financial statements | | \$ 264,146 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital outlays | \$ 1,776,762 | |
| Depreciation | <u>(552,580)</u> | 1,224,182 |
| 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 disposition of assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these assets were reported as an expenditure at the time of acquisition. | | |
| | | (1,015,250) |
| Proceeds from notes used to purchase capital assets are recorded as revenues in the governmental funds, but the proceeds increase notes payable in the statement of net position. | | |
| | | (275,000) |
| Proceeds from capital leases used to purchase capital assets are recorded as revenues in the governmental funds, but the proceeds increase capital lease obligations in the statement of net position. | | |
| | | (1,517,261) |
| Payments on the notes payable are an expenditure in the governmental funds, but the repayments reduce noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| | | 77,474 |
| Payments on the capital leases are an expenditure in the governmental funds, but the repayments reduce noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities. | | |
| | | 470,882 |
| CERS payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred outflows (inflows) of resources on the statement of net position. The amount that the current year expense and the effect on the net position is as follows: | | |
| Deferred inflow - CERS | \$ 314,515 | |
| Current year expense - CERS | <u>(192,000)</u> | <u>122,515</u> |
| Change In Net Position of Governmental Activities | | <u>\$ (648,312)</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, 2015

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and cash equivalents | \$ 240,254 |
| Investments | 245,038 |
| Accounts receivable: | |
| Accounts receivable, less allowance for doubtful accounts of \$3,718 | 273,615 |
| Unbilled accounts receivable | 161,902 |
| Due (to) from primary government | <u>(501,161)</u> |
| Total current assets | <u>419,648</u> |

NONCURRENT ASSETS

| | |
|---------------------|-------------------|
| Capital assets, net | <u>18,431,970</u> |
|---------------------|-------------------|

TOTAL ASSETS

18,851,618

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | 339,333 |
| Customer deposits | 73,300 |
| Current portion of bond obligations | 161,500 |
| Current portion of notes payable | <u>50,342</u> |
| Total current liabilities | <u>624,475</u> |

NONCURRENT LIABILITIES

| | |
|--|------------------|
| Noncurrent portion of bond obligations | 2,204,000 |
| Noncurrent portion of notes payable | <u>858,954</u> |
| Total noncurrent liabilities | <u>3,062,954</u> |

TOTAL LIABILITIES

3,687,429

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 15,157,174 |
| Restricted | |
| Customer deposits | 73,300 |
| Debt service | 377,338 |
| Waterline and meter replacement | 30,204 |
| Unrestricted (deficit) | <u>(473,827)</u> |
| TOTAL NET POSITION | <u>\$ 15,164,189</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, 2015

Gallons sold (in thousands) 314,640

| | <u>Water</u> | <u>Per 1,000 Gallons</u> |
|--|---------------------|------------------------------|
| OPERATING REVENUES | | |
| Sales | \$ 1,097,552 | \$ 3.49 |
| Other revenues | <u>18,485</u> | <u>.06</u> |
| TOTAL OPERATING REVENUES | <u>1,116,037</u> | <u>3.55</u> |
| OPERATING EXPENSES | | |
| Wages | 337,882 | 1.07 |
| Employee taxes and benefits | 138,522 | .44 |
| Supplies and expenses | 4,926 | .02 |
| Pump station expense | 38,941 | .12 |
| Dues and publications | 1,013 | - |
| Meter boxes, parts and taps | 24,961 | .08 |
| Utilities | 172,828 | .55 |
| Office supplies | 12,389 | .04 |
| Insurance | 46,753 | .15 |
| Vehicle expense | 8,883 | .03 |
| Repairs and maintenance | 9,757 | .03 |
| Depreciation | 314,150 | 1.00 |
| Travel and training | 4,835 | .02 |
| Professional services | 4,700 | .01 |
| Rents and service contracts | 21,058 | .07 |
| Pretreatment and sludge | - | - |
| Lead and copper testing | 16,556 | .05 |
| Chemicals | 67,353 | .21 |
| Miscellaneous | <u>8,714</u> | <u>.03</u> |
| TOTAL OPERATING EXPENSES | <u>1,234,221</u> | <u>3.92</u> |
| OPERATING INCOME (LOSS) | <u>\$ (118,184)</u> | <u>\$ (.37)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest on revenue bonds and notes payable | | |
| Earnings on investments | | |
| Grant – water and sewer system improvements | | |
| Loss on disposition of assets | | |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | | |
| NET INCOME (LOSS) | | |
| NET POSITION, JULY 1, 2014 | | |
| NET POSITION, JUNE 30, 2015 | | |

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

| <u>Sewer</u> | <u>Per 1,000 Gallons</u> | <u>Total</u> |
|---------------------|------------------------------|----------------------|
| \$ 760,943 | \$ 2.42 | \$ 1,858,495 |
| <u>17,224</u> | <u>.05</u> | <u>35,709</u> |
| <u>778,167</u> | <u>2.47</u> | <u>1,894,204</u> |
| 263,119 | .84 | 601,001 |
| 112,334 | .36 | 250,856 |
| 4,556 | .01 | 9,482 |
| 8,202 | .03 | 47,143 |
| 2,232 | - | 3,245 |
| 15,040 | .05 | 40,001 |
| 137,244 | .44 | 310,072 |
| 8,841 | .03 | 21,230 |
| 51,993 | .16 | 98,746 |
| 11,307 | .04 | 20,190 |
| 5,763 | .02 | 15,520 |
| 226,469 | .72 | 540,619 |
| 1,655 | - | 6,490 |
| 5,606 | .02 | 10,306 |
| 14,508 | .04 | 35,566 |
| 11,815 | .04 | 11,815 |
| 21,477 | .07 | 38,033 |
| 1,790 | - | 69,143 |
| <u>1,464</u> | <u>-</u> | <u>10,178</u> |
| <u>905,415</u> | <u>2.87</u> | <u>2,139,636</u> |
| <u>\$ (127,248)</u> | <u>\$ (.40)</u> | <u>(245,432)</u> |
| | | (126,787) |
| | | 1,631 |
| | | 243,587 |
| | | <u>(976)</u> |
| | | <u>117,455</u> |
| | | (127,977) |
| | | <u>15,292,166</u> |
| | | <u>\$ 15,164,189</u> |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUND – WATER AND SEWER
Year Ended June 30, 2015

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from water and sewer revenues | \$ 2,182,180 |
| Cash payments for wages | (601,001) |
| Cash payments for employee taxes and benefits | (250,856) |
| Cash payments for other expenses | (958,174) |
| Net cash provided (used) by operating activities | <u>372,149</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal payments | (203,900) |
| Interest payments | (126,787) |
| Cash payments for purchases of capital assets | (275,302) |
| Remaining basis in asset disposals | 976 |
| Net cash provided (used) by capital and related financing activities | <u>(605,013)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Receipt of interest | 1,631 |
| Receipt of grants | 243,587 |
| Net cash provided (used) by investing activities | <u>245,218</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 12,354 |
| CASH AND CASH EQUIVALENTS, JULY 1, 2014 | <u>227,900</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2015 | <u>\$ 240,254</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating income (loss) | \$ (245,432) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Depreciation | 540,619 |
| Changes in assets and liabilities: | |
| Accounts receivable | (14,438) |
| Unbilled accounts receivable | (3,695) |
| Other receivables | 306,109 |
| Due (to) from primary government | 28,211 |
| Accounts payable and accrued expenses | (241,545) |
| Customer deposits | 2,320 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 372,149</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, 2015

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, 2015

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, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID EXPENSES

Payments made that will benefit periods beyond June 30, 2015 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, 2015

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.

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.

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

The governmental fund types classify fund balances as follows:

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

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

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

OPERATING REVENUES AND EXPENSES

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

CONTRIBUTIONS OF CAPITAL

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

ESTIMATES

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

BUDGETARY PROCESS

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

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

IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have any impact on the City's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

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, 2015, the carrying amount of the City's deposits (cash and investments) was \$1,947,970 and the bank balance was \$2,014,539. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

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

- a. Name of banks utilized during fiscal year: Whitaker Bank, Community Trust Bank, First State Financial and Forcht Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$2,722,671.
- c. Largest cash, savings and time deposit combined account balance amounted to \$2,673,662 and occurred during the month of March 2015.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

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

These three levels of risk are as follows:

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

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

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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 2015 fiscal year was based, was \$187,412,069. The tax rates assessed for the year ended June 30, 2015 to finance general fund operations were \$.285 per \$100 valuation for real estate and \$.3567 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, 2015 were ninety-seven 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, 2015, the components of taxes receivable were as follows:

| | |
|--|------------|
| General property tax, net of allowance | \$ 14,700 |
| Transient room and restaurant tax | 81,902 |
| Municipal insurance tax | 73,922 |
| Occupational tax | 174,718 |
| Omitted tangibles | 769 |
| Total | \$ 346,011 |

NOTE 4 – OTHER RECEIVABLES

Other receivables at June 30, 2015 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 2015 were as follows:

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|---|---------------------------------------|------------------|-------------------|--|
| CERS contributions subsequent to the measurement date | \$ - | \$ 314,515 | \$ - | \$ 314,515 |
| Net difference between projected and actual earnings on CERS pension plan investments | - | - | 268,000 | (268,000) |
| | \$ - | \$ 314,515 | \$ 268,000 | \$ 46,515 |

NOTE 6 – CAPITAL ASSETS

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

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|--|---------------------------------------|------------------|------------------|--|
| GOVERNMENTAL ACTIVITIES | | | | |
| Land | \$ 3,417,032 | \$ - | \$ 74,000 | \$ 3,343,032 |
| Buildings, improvements and Infrastructure | 5,919,805 | - | 975,000 | 4,944,805 |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – CAPITAL ASSETS (CONTINUED)

| | Balance <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2015</u> |
|---|--------------------------------|---------------------|---------------------|---------------------------------|
| Parks and recreation equipment | 300,931 | - | 25,792 | 275,139 |
| Water park complex | 6,652,332 | 359,537 | 31,969 | 6,979,900 |
| Fire department equipment | 879,816 | 15,500 | 195,067 | 700,249 |
| Police department equipment | 769,986 | - | 82,255 | 687,731 |
| Street department equipment | 238,358 | - | 98,007 | 140,351 |
| Sanitation department equipment | 454,372 | - | 142,062 | 312,310 |
| General and administrative equipment | 674,936 | - | 101,841 | 573,095 |
| Construction in progress | <u>14,376</u> | <u>1,416,101</u> | <u>14,376</u> | <u>1,416,101</u> |
| Totals at cost | 19,321,944 | 1,791,138 | 1,740,369 | 19,372,713 |
| Less accumulated depreciation | <u>5,336,710</u> | <u>710,743</u> | <u>552,580</u> | <u>5,178,547</u> |
| Governmental activities capital assets, net | <u>\$ 13,985,234</u> | <u>\$ 2,501,881</u> | <u>\$ 2,292,949</u> | <u>\$ 14,194,166</u> |

In April, 2012, the City was given an industrial building to aid it in promoting economic development. The City deeded this property to a manufacturing firm during the fiscal year to help it secure additional financing to expand their operations. The company defaulted on their obligations and the property was sold to satisfy their creditors in the spring of 2015. A loss on disposition of \$1,015,250 was recognized at June 30, 2015.

Governmental activities depreciation was allocated as follows:

| | |
|-----------------------|-------------------|
| General government | \$ 141,231 |
| Police department | 110,332 |
| Fire department | 54,631 |
| Street department | 15,025 |
| Sanitation department | 21,941 |
| Recreation department | 19,515 |
| Water park/RV park | 189,905 |
| Total | <u>\$ 552,580</u> |

| | Balance <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2015</u> |
|--|--------------------------------|---------------------|---------------------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Water and sewer | \$ 26,349,842 | \$ 1,086,341 | \$ 58,760 | \$ 27,377,423 |
| Construction in progress | <u>812,015</u> | <u>243,587</u> | <u>1,055,602</u> | <u>-</u> |
| Totals at cost | 27,161,857 | 1,329,928 | 1,114,362 | 27,377,423 |
| Less accumulated depreciation | <u>8,462,618</u> | <u>57,784</u> | <u>540,619</u> | <u>8,945,453</u> |
| Business-type activities capital assets, net | <u>\$ 18,699,239</u> | <u>\$ 1,387,712</u> | <u>\$ 1,654,981</u> | <u>\$ 18,431,970</u> |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – CAPITAL LEASE OBLIGATIONS

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

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Borrowings</u> | <u>Repayments</u> | <u>Balance</u> <u>June 30, 2015</u> |
|--|---------------------------------------|---------------------|-------------------|--|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital lease agreement, original balance of \$5,000,000 with a variable interest rate of .09% at June 30, 2015 | \$ 2,810,000 | \$ - | \$ 365,000 | \$ 2,445,000 |
| Capital lease agreement, original balance of \$291,184 with a fixed interest rate of 4.13% | 195,214 | - | 45,882 | 149,332 |
| Capital lease obligation, original balance of \$1,690,000 with a fixed interest rate of 5% through 2013, 5.25% through 2016, 5.75% through 2019 and 6.25% thereafter | 1,420,000 | - | 60,000 | 1,360,000 |
| Capital lease obligation, energy savings project, with a fixed interest rate of 3.25% | <u>-</u> | <u>1,517,261</u> | <u>-</u> | <u>1,517,261</u> |
| Totals | <u>\$ 4,425,214</u> | <u>\$ 1,517,261</u> | <u>\$ 470,882</u> | <u>\$ 5,471,593</u> |

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2016 | \$ 585,694 | \$ 171,930 | \$ 757,624 |
| 2017 | 644,334 | 142,328 | 786,662 |
| 2018 | 654,305 | 125,820 | 780,125 |
| 2019 | 634,167 | 121,961 | 756,128 |
| 2020 | 665,000 | 114,849 | 779,849 |
| 2021-2025 | 1,567,500 | 442,235 | 2,009,735 |
| 2026-2030 | 1,356,667 | 155,856 | 1,512,523 |
| 2031 | 46,667 | 1,517 | 48,184 |
| Totals | <u>\$ 6,154,334</u> | <u>\$ 1,276,496</u> | <u>\$ 7,430,830</u> |

Interest and fees paid on the capital lease obligations of \$46,053 are included in water park/RV park expenses, \$85,735 are included in general fund expenses, and \$8,112 are included in police department expenses.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NOTES PAYABLE

GOVERNMENTAL ACTIVITIES

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

| | <u>Balance July 1, 2014</u> | <u>Borrowings</u> | <u>Repayments</u> | <u>Balance June 30, 2015</u> |
|--|---------------------------------|-------------------|-------------------|----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| 4.00% note payable, secured by police department equipment, monthly payments of \$1,182 including interest, matures June, 2018 | \$ 52,242 | \$ - | \$ 12,315 | \$ 39,927 |
| 4.15% note payable, secured by fire truck, monthly payments of \$3,319 including interest, matures November, 2017 | 126,394 | - | 35,245 | 91,149 |
| 3.25% note payable, guaranteed by RV park development, monthly payments of \$4,978 including interest, matures November, 2019 | <u>-</u> | <u>275,000</u> | <u>29,914</u> | <u>245,086</u> |
| Totals | <u>\$ 178,636</u> | <u>\$ 275,000</u> | <u>\$ 77,474</u> | <u>\$ 376,162</u> |

Interest of \$4,580 for the year is included in fire department expenses, \$1,866 is included in police department expenses and \$5,109 is included in water park/RV park expenses.

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|------------------|-------------------|
| 2016 | \$ 102,097 | \$ 11,640 | \$ 113,737 |
| 2017 | 105,906 | 7,831 | 113,737 |
| 2018 | 85,962 | 4,127 | 90,089 |
| 2019 | 57,917 | 1,814 | 59,731 |
| 2020 | <u>24,280</u> | <u>195</u> | <u>24,475</u> |
| Totals | <u>\$ 376,162</u> | <u>\$ 25,607</u> | <u>\$ 401,769</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, 2015 was \$285,813.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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> |
| 2016 | \$ 19,501 | \$ 2,529 | \$ 22,030 |
| 2017 | 19,638 | 2,353 | 21,991 |
| 2018 | 19,775 | 2,176 | 21,951 |
| 2019 | 19,914 | 1,997 | 21,911 |
| 2020 | 20,054 | 1,818 | 21,872 |
| 2021-2025 | 102,398 | 6,352 | 108,750 |
| 2026-2029 | 84,533 | 1,718 | 86,251 |
| Totals | <u>\$ 285,813</u> | <u>\$ 18,943</u> | <u>\$ 304,756</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 \$623,483 at June 30, 2015. 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> |
| 2016 | \$ 30,841 | \$ 7,390 | \$ 38,231 |
| 2017 | 31,150 | 7,019 | 38,169 |
| 2018 | 31,463 | 6,643 | 38,106 |
| 2019 | 31,778 | 6,265 | 38,043 |
| 2020 | 32,097 | 5,883 | 37,980 |
| 2021-2025 | 165,375 | 23,544 | 188,919 |
| 2026-2030 | 173,833 | 13,395 | 187,228 |
| 2031-2034 | 126,946 | 3,061 | 130,007 |
| Totals | <u>\$ 623,483</u> | <u>\$ 73,200</u> | <u>\$ 696,683</u> |

NOTE 9 – BONDS PAYABLE

BUSINESS-TYPE ACTIVITIES

Revenue bonds of \$1,833,000 with interest at the rate of 5% were issued by the City on March 14, 1979, to defray the cost (not otherwise provided) of a new water treatment plant and appurtenant facilities. The bonds outstanding of \$201,000 at June 30, 2015, are payable solely from and secured by a secondary pledge of operating income of the fund and a secondary lien on the facilities. Bonds retired during the year were \$94,000.

Revenue bonds of \$1,018,000 with interest at the rate of 5% were issued by the City on September 11, 1988, to defray the cost (not otherwise provided) of a sewer line expansion project. The bonds outstanding of \$567,000 at June 30, 2015, are payable solely on a second-lien basis, on a parity with the bonds of 1979, out of the gross revenues of the fund. Bonds retired during the year were \$30,000.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – BONDS PAYABLE (CONTINUED)

Rural Utilities Service Revenue bonds of \$1,805,000 with interest at the rate of 4.5% were issued by the City on June 5, 2002, for the purpose of providing funds (not otherwise provided) for the permanent financing of the costs of extensions, additions and improvements to the existing combined and consolidated water and sewer system. The bonds outstanding of \$1,597,500 at June 30, 2015, as well as the Kentucky Infrastructure loan, are payable out of gross revenues of the fund. Bonds retired during the year were \$30,000.

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

Debt service requirements to maturity are as follows:

REVENUE BONDS, 1979 ISSUE

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|------------------|-------------------|
| 2016 | \$ 98,000 | \$ 10,050 | \$ 108,050 |
| 2017 | 103,000 | 5,150 | 108,150 |
| Totals | <u>\$ 201,000</u> | <u>\$ 15,200</u> | <u>\$ 216,200</u> |

REVENUE BONDS, 1988 ISSUE

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|-------------------|-------------------|
| 2016 | \$ 32,000 | \$ 28,350 | \$ 60,350 |
| 2017 | 34,000 | 26,750 | 60,750 |
| 2018 | 35,000 | 25,050 | 60,050 |
| 2019 | 37,000 | 23,300 | 60,300 |
| 2020 | 39,000 | 21,450 | 60,450 |
| 2021 | 41,000 | 19,500 | 60,500 |
| 2022 | 43,000 | 17,450 | 60,450 |
| 2023 | 45,000 | 15,300 | 60,300 |
| 2024 | 47,000 | 13,050 | 60,050 |
| 2025 | 50,000 | 10,700 | 60,700 |
| 2026 | 52,000 | 8,200 | 60,200 |
| 2027 | 55,000 | 5,600 | 60,600 |
| 2028 | 57,000 | 2,850 | 59,850 |
| Totals | <u>\$ 567,000</u> | <u>\$ 217,550</u> | <u>\$ 784,550</u> |

RURAL UTILITIES SERVICE REVENUE BONDS, 2002 ISSUE

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|--------------|
| 2016 | \$ 31,500 | \$ 71,888 | \$ 103,388 |
| 2017 | 33,000 | 70,470 | 103,470 |
| 2018 | 34,500 | 68,985 | 103,485 |
| 2019 | 36,000 | 67,433 | 103,433 |
| 2020 | 37,500 | 65,813 | 103,313 |
| 2021 | 39,500 | 64,125 | 103,625 |
| 2022 | 41,000 | 62,348 | 103,348 |
| 2023 | 43,000 | 60,503 | 103,503 |
| 2024 | 45,000 | 58,568 | 103,568 |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – BONDS PAYABLE (CONTINUED)

RURAL UTILITIES SERVICE REVENUE BONDS, 2002 ISSUE (CONTINUED)

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2025 | 47,000 | 56,543 | 103,543 |
| 2026 | 49,000 | 54,428 | 103,428 |
| 2027 | 51,000 | 52,223 | 103,223 |
| 2028 | 53,500 | 49,928 | 103,428 |
| 2029 | 56,000 | 47,520 | 103,520 |
| 2030 | 58,500 | 45,000 | 103,500 |
| 2031 | 61,000 | 42,368 | 103,368 |
| 2032 | 64,000 | 39,623 | 103,623 |
| 2033 | 66,500 | 36,743 | 103,243 |
| 2034 | 69,500 | 33,750 | 103,250 |
| 2035 | 73,000 | 30,623 | 103,623 |
| 2036 | 76,000 | 27,338 | 103,338 |
| 2037 | 79,500 | 23,918 | 103,418 |
| 2038 | 83,000 | 20,340 | 103,340 |
| 2039 | 87,000 | 16,605 | 103,605 |
| 2040 | 90,500 | 12,690 | 103,190 |
| 2041 | 95,000 | 8,618 | 103,618 |
| 2042 | 96,500 | 4,343 | 100,843 |
| Totals | <u>\$ 1,597,500</u> | <u>\$ 1,192,734</u> | <u>\$ 2,790,234</u> |

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 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.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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 provide 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.

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, 2015, 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 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, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the City were \$314,515.

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

At June 30, 2015, the City reported a liability of \$2,405,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the City's proportion was 0.074129 percent.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2015, the City recognized pension expense of \$192,000. At June 30, 2015, 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 \$314,515 and (2) Deferred inflows of resources for differences between expected and actual experience of \$268,000. The amount reported as deferred outflows for the City contributions subsequent to the measurement date of \$314,515 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.50 percent |
| Salary increases | 4.5 percent, average, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Domestic Equity | 30% | 8.45% |
| International Equity | 22% | 8.85% |
| Emerging Market Equity | 5% | 10.50% |
| Private Equity | 7% | 11.25% |
| Real Estate | 5% | 7.00% |
| Core US Fixed Income | 10% | 5.25% |
| High Yield US Fixed Income | 5% | 7.25% |
| Non-US Fixed Income | 5% | 5.50% |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – RETIREMENT PLANS (CONTINUED)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Commodities | 5% | 7.75% |
| TIPS | 5% | 5.00% |
| Cash | 1% | 3.25% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit 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 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 13 – 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.

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 – 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 | 269,953 |
| Operating | LGEA | General | Reimbursement of expenses | 29,934 |

NOTE 15 – DUE (TO) FROM PRIMARY GOVERNMENT

Due (to) from primary government consisted of the following at June 30, 2015:

Governmental Activities

| | |
|---|-------------------|
| Due from component unit – Williamsburg Tourism Commission | \$ 26,443 |
| Due from business-type activities – Water and Sewer Fund | 501,161 |
| Total | <u>\$ 527,604</u> |

NOTE 16 – DEFICIT OPERATING/FUND BALANCES

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

NOTE 17 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

| <u>Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------|---------------|------------------------|
| Special Revenue | \$ 394,332 | Municipal roads |
| Special Revenue | 6 | Economic development |
| Special Revenue | 137,994 | Tourism and recreation |

NOTE 18 - SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 30, 2015, the date on which we issued our financial statements. .

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 604,500 | \$ 604,500 | \$ 614,339 | \$ 9,839 |
| Franchise | 185,000 | 185,000 | 192,391 | 7,391 |
| Municipal insurance | 320,500 | 320,500 | 303,355 | (17,145) |
| Occupational tax | 655,000 | 655,000 | 679,609 | 24,609 |
| Payment in lieu of taxes | 10,550 | 10,550 | 18,279 | 7,729 |
| Sanitation department | 707,000 | 707,000 | 732,424 | 25,424 |
| Police department | 161,352 | 161,352 | 163,934 | 2,582 |
| Recreation department | 2,500 | 2,500 | 4,845 | 2,345 |
| Fire department | 26,500 | 26,500 | 27,342 | 842 |
| Water park/RV park | 1,276,790 | 1,276,790 | 1,627,095 | 350,305 |
| Earnings on investments | 3,500 | 3,500 | 2,463 | (1,037) |
| General government | 30,000 | 30,000 | 1,568,105 | 1,538,105 |
| TOTAL REVENUES | 3,983,192 | 3,983,192 | 5,934,181 | 1,950,989 |
| EXPENDITURES | | | | |
| General government | 803,426 | 803,426 | 2,212,068 | (1,408,642) |
| Police department | 991,144 | 991,144 | 954,202 | 36,942 |
| Fire department | 358,127 | 358,127 | 396,366 | (38,239) |
| Street department | 76,551 | 76,551 | 71,633 | 4,918 |
| Sanitation department | 547,447 | 547,447 | 530,108 | 17,339 |
| Recreation department | 85,207 | 85,207 | 83,452 | 1,755 |
| Water park/RV park | 1,528,790 | 1,528,790 | 1,808,313 | (279,523) |
| TOTAL EXPENDITURES | 4,390,692 | 4,390,692 | 6,056,142 | (1,665,450) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (407,500) | (407,500) | (121,961) | 285,539 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 407,500 | 407,500 | 324,887 | (82,613) |
| Operating transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 407,500 | 407,500 | 324,887 | (82,613) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | 202,926 | \$ 202,926 |
| FUND BALANCE, JULY 1, 2014 | | | 1,504,366 | |
| FUND BALANCE, JUNE 30, 2015 | | | \$ 1,707,292 | |

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> | | |
| \$ - | \$ - | \$ - | \$ - |
| 28,000 | 28,000 | 29,919 | 1,919 |
| <u>50</u> | <u>50</u> | <u>15</u> | <u>(35)</u> |
| <u>28,050</u> | <u>28,050</u> | <u>29,934</u> | <u>1,884</u> |
| - | - | - | - |
| - | - | - | - |
| <u>28,050</u> | <u>28,050</u> | <u>29,934</u> | <u>1,884</u> |
| <u>(28,050)</u> | <u>(28,050)</u> | <u>(29,934)</u> | <u>(1,884)</u> |
| <u>(28,050)</u> | <u>(28,050)</u> | <u>(29,934)</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| | | <u>6</u> | |
| | | <u>\$ 6</u> | |

CITY OF WILLIAMSBURG
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2015

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, 2015

| | <u>Municipal Road Aid</u> | <u>Local Government Economic Assistance</u> | <u>Tourism and Recreation</u> | <u>Total</u> |
|--|-------------------------------|---|---------------------------------------|-------------------|
| ASSETS AND RESOURCES | | | | |
| Cash and cash equivalents | \$ 381,939 | \$ 6 | \$ 56,648 | \$ 438,593 |
| Accounts receivable: | | | | |
| Taxes | - | - | 81,902 | 81,902 |
| Intergovernmental - state | <u>13,984</u> | <u>-</u> | <u>-</u> | <u>13,984</u> |
| TOTAL ASSETS AND RESOURCES | <u>\$ 395,923</u> | <u>\$ 6</u> | <u>\$ 138,550</u> | <u>\$ 534,479</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Accounts payable and accrued expenses | <u>\$ 1,591</u> | <u>\$ -</u> | <u>\$ 556</u> | <u>\$ 2,147</u> |
| TOTAL LIABILITIES | <u>1,591</u> | <u>-</u> | <u>556</u> | <u>2,147</u> |
| Restricted | | | | |
| Municipal roads | 394,332 | - | - | 394,332 |
| Economic development | - | 6 | - | 6 |
| Tourism and recreation | <u>-</u> | <u>-</u> | <u>137,994</u> | <u>137,994</u> |
| TOTAL FUND BALANCES | <u>394,332</u> | <u>6</u> | <u>137,994</u> | <u>532,332</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 395,923</u> | <u>\$ 6</u> | <u>\$ 138,550</u> | <u>\$ 534,479</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, 2015

| | <u>Municipal Road Aid</u> | <u>Local Government Economic Assistance</u> | <u>Tourism and Recreation</u> | <u>Total</u> |
|--|-------------------------------|---|---------------------------------------|-------------------|
| REVENUES | | | | |
| Intergovernmental revenues: | | | | |
| Street department | \$ 116,038 | \$ - | \$ - | \$ 116,038 |
| Coal and mineral grants | - | 29,919 | - | 29,919 |
| Recreation department | - | - | 70,482 | 70,482 |
| Earnings on investments | <u>1,154</u> | <u>15</u> | <u>-</u> | <u>1,169</u> |
| TOTAL REVENUES | <u>117,192</u> | <u>29,934</u> | <u>70,482</u> | <u>217,608</u> |
| EXPENDITURES | | | | |
| Street department | 91,521 | - | - | 91,521 |
| Water park/RV park | - | - | 34,933 | 34,933 |
| TOTAL EXPENDITURES | <u>91,521</u> | <u>-</u> | <u>34,933</u> | <u>126,454</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>25,671</u> | <u>29,934</u> | <u>35,549</u> | <u>91,154</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers out | - | (29,934) | - | (29,934) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(29,934)</u> | <u>-</u> | <u>(29,934)</u> |
| NET CHANGE IN FUND BALANCES | 25,671 | - | 35,549 | 61,220 |
| FUND BALANCES, JULY 1, 2014 | <u>368,661</u> | <u>6</u> | <u>102,445</u> | <u>471,112</u> |
| FUND BALANCES, JUNE 30, 2015 | <u>\$ 394,332</u> | <u>\$ 6</u> | <u>\$ 137,994</u> | <u>\$ 532,332</u> |

CITY OF WILLIAMSBURG
 Williamsburg, Kentucky
 SCHEDULE OF PRODUCTION DATA
 June 30, 2015

| | Water (Thousand Gallons) |
|--|--------------------------------|
| Water produced | <u>431,143</u> |
| Units accounted for: | |
| Metered sales during year | 314,640 |
| Consumption by: | |
| City of Williamsburg | 9,154 |
| Miscellaneous sales | 518 |
| Hydrant flushing/line breaks | <u>11,148</u> |
| Total | <u>335,460</u> |
| Units unaccounted for | <u>95,683</u> |
| Percentage unaccounted for | <u>22.19%</u> |
| Number of metered customers at end of year | <u>1,569</u> |

Marr, Miller & Myers, PSC

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Corbin, Kentucky 40702

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

October 30, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2015.

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

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