

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------|---|-----------------|
| CITY OF WILLIAMSBURG |) | |
| |) | |
| PLAINTIFF |) | |
| |) | |
| v. |) | CASE NO. 94-443 |
| |) | |
| CUMBERLAND FALLS HIGHWAY |) | |
| WATER DISTRICT |) | |
| |) | |
| DEFENDANT |) | |

ORDER TO SATISFY OR ANSWER

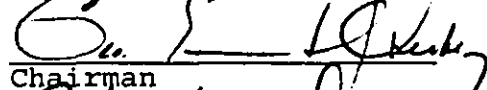
Cumberland Falls Highway Water District ("Cumberland Falls") is hereby notified that it has been named as defendant in a formal complaint filed on November 16, 1994, a copy of which is attached hereto.


Pursuant to 807 KAR 5:001, Section 12, Cumberland Falls is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within 10 days from the date of service of this Order.

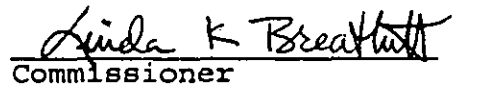
Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

Done at Frankfort, Kentucky, this 9th day of December, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

BEFORE THE PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY
CASE NO. 94-443

CITY OF WILLIAMSBURG

PLAINTIFF

VS:

COMPLAINT

RECEIVED

NOV 16 1994

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT

PUBLIC SERVICE
COMMISSION

DEFENDANT

* * * * *

Comes now the City of Williamsburg, by counsel, and for its complaint against the Defendant, Cumberland Falls Highway Water District, respectfully states as follows:

1. That the Plaintiff, City of Williamsburg, (hereinafter "City") is a City of the 4th Class located in Whitley County, Kentucky, with a mailing address of P.O. Box 119, South Second Street, Williamsburg, Kentucky 40769.

2. That the Defendant, Cumberland Falls Highway Water District, (hereinafter "District") is a water district organized and established under the provisions of KRS Chapter 74 for the purpose of construction and operation of a water supply distribution system serving water users within the Whitley County, Kentucky area, with a mailing address of 3822 Cumberland Falls Highway, Corbin, Kentucky 40701.

3. That the City operates a water supply distribution system and sells water to the District under the Water Purchase Contract, (Exhibit "A" hereto), Addendum to Water Purchase Contract, (Exhibit "B" hereto), Settlement Agreement, (Exhibit "C"

hereto), and Amended Settlement Agreement, (Exhibit "D" hereto).

4. That on or about April 11, 1994, Mr. Joseph C. Lewis, Professional Engineer and Vice President of Quest Engineers, Inc., located at 880 Corporate Drive, Lexington, Kentucky 40503 submitted a report to the City concluding that the cost of water production by the City is \$2.57 per one-thousand gallons, as shown by the letter from Mr. Lewis attached hereto as Exhibit "E".

5. That the report by Mr. Joseph C. Lewis referred to above was based upon the Audited Financial Statements and Supplemental Schedules for the City for the year ended June 30, 1993, a true copy of which is attached hereto as Exhibit "F".

6. That on May 4, 1994, the City, by its Mayor, sent a letter notifying the District that effective July 1, 1994, the rate charged to the District for each one-thousand gallons of water sold to the District would be \$2.40 per one-thousand gallons, a true copy of which is attached hereto as Exhibit "G".

7. That on or about May 31, 1994, the District, through its attorney, notified the City that the District refused to pay the increased rate charged by the City without Public Service Commission approval.

8. That the City charges the same amount for water sold to all water Districts, including the Whitley County Water District.

9. That the only other Water District subject to the rate increase is the Whitley County Water District.

10. That the Whitley County Water District has agreed to the rate increase.

11. That the City charges the following amounts for Residential and Commercial customers:

- A. \$7.90 for the first two-thousand gallons.
- B. \$2.65 per one-thousand gallons for the next three-thousand gallons.
- C. \$2.30 per one-thousand gallons for the next ten-thousand gallons.
- D. \$2.05 per one-thousand gallons for the next ten-thousand gallons.
- E. \$1.90 per one-thousand gallons for the next ten-thousand gallons.
- F. \$1.75 per one-thousand gallons for the next ten-thousand gallons.
- G. \$1.60 per one-thousand gallons for all amounts over forty-five thousand gallons.

12. That the City's proposed rate increase for water sold to the District is fair, just and reasonable for the services rendered to the District by the City.

13. That the City is entitled to Judgment by the Public Service Commission increasing the rate at which water is sold by the City to the District to the sum of \$2.40 per one-thousand gallons of water.

14. That the City is entitled to payment by the District for water at the rate of \$2.40 per one-thousand gallons from the date of notification of the increased rates by the City on May 4, 1994, thru the date of Judgment by the Public Service Commission.

15. That the City is entitled to its reasonable attorney fees and costs of bringing this action.

16. That the City is entitled to Pre-Judgment interest and Post-Judgment interest on all sums adjudged due and owing to the City by the District.

WHEREFORE, the City respectfully demands the following relief:

1. For approval of a rate increase to the sum of \$2.40 per one-thousand gallons for all water sold to the District.

2. For Judgment against the District for all past due payments since May 4, 1994 at the rate of \$2.40 per one-thousand gallons.

3. For Pre-Judgment and Post-Judgment interest on all sums adjudged due and owing to the City by the District.

4. For reasonable attorney fees and its costs expended herein.

5. For all further relief to which the City appears to be entitled.



FRANK A. ATKINS
TRIMBLE & MANN
104 NORTH KENTUCKY STREET
P.O. DRAWER 1344
CORBIN, KENTUCKY 40702
TELEPHONE: (606) 528-0616

ATTORNEY FOR CITY OF WILLIAMSBURG

WATER PURCHASE CONTRACT

This CONTRACT for the sale and purchase of water is entered into as of the 10th day of February 1968, between the CITY OF WILLIAMSBURG, Williamsburg, Kentucky, hereinafter referred to as the "City", and CUMBERLAND FALLS HIGHWAY WATER DISTRICT, hereinafter referred to as the "District",

WITNESSETH

WHEREAS, the District has been organized and established under the provisions of KRS Chapter 74, for the purpose of construction and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the District and to accomplish this purpose, the District will require a supply of treated water, and

WHEREAS, the City owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the City system and the estimated number of water users to be served by the said District as shown in the plans of the system now on file in the office of the District, and

WHEREAS, a Resolution enacted on the 7th day of May, 1968, by the Council of the City, the sale of water to the District in accordance with the provisions of the said Resolution was approved, and execution of this contract carrying out the said Resolution by the Mayor and attested by the Clerk was duly authorized, and

WHEREAS, by Resolution of the Board of Commissioners, of the District, enacted on the 7 day of May, 1968, the purchase of the water from the City in accordance with the terms set forth in the said Resolution was approved, and the execution of this Contract by the Chairman, and attested by the Secretary was duly authorized.

J. B. JOHNSON
and
B. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. THE CITY AGREES:

1) (Quality and Quantity) To furnish the District, at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the State Board of Health in such quantity as may be required by the District (Not to exceed 2,000,000 gallons per month).

2) (Point of Delivery and Pressure) That water will be furnished at a reasonably constant normal pressure calculated at 80 pounds per square inch from an existing six inch main supply at a point located near the northern City limits on U. S. 25-W and at 40 pounds per square inch from an existing six inch main supply at the existing storage on Mt. Morgan near the City limits on the west. If a greater pressure than that normally available at the point of delivery is required by the District, the cost of providing such greater pressure shall be borne by the District. Emergency failures of pressure or supply due to main line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the City from this provision for such reasonable period of time as may be necessary to restore service.

3) (Billing Procedure) To furnish the Chairman of the District at Williamsburg, Kentucky, not later than the 15th day of each month with an itemized statement of the amount of water furnished the District during the preceding month.

B. THE DISTRICT AGREES:

1) (Rates and Payment Date) To pay the City, not later than the 20th day of each month, for the delivered at a rate of a flat charge of

J. E. JOHNSON
and
E. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

forty cents (\$0.40) per thousand (1,000) gallons.

2) (Metering Equipment) To furnish, install, operate and maintain at its own expense at point of delivery, the necessary metering equipment, including a meterhouse or pit, and required devices of standard type for properly measuring the quantity of water delivered to the District and to calibrate such metering equipment whenever requested by the City, but not more frequently than once every twelve (12) months. A meter registering not more than 2 per cent (2%) above or below the test result shall be deemed to be accurate.

3) (Sewer Charge Collection) In the event that the District shall subsequently construct sewer mains and facilities to serve its customers and these facilities should be connected to the City sewer system, then in that event the District shall pay to the City, not later than the 20th day of each month an amount equal to the then current sewer charge being charged in the City multiplied by the number of water customers served by the District.

C. IT IS FURTHER MUTUALLY AGREED BETWEEN THE CITY AND DISTRICT AS FOLLOWS:

1) (Term of Contract) That this contract shall extend for a term of sixty (60) years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such terms, or terms, as may be agreed upon by the Seller and Purchaser.

2) (Delivery of Water) That thirty (30) days prior to the estimated date of completion of construction of the District's water supply distribution system, the District will notify the City in writing the date for the initial delivery of water.

J. B. JOHNSON
and
B. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

3) (Water for Testing) When requested by the District the City will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing and trace filling the system of the District during construction, irrespective of whether the metering equipment has been installed at that time at a flat charge of forty cents (\$0.40) per one thousand (1,000) gallons which will be paid by the contractor or, on his failure to pay, by the District.

4) (Limitations) It is mutually understood and agreed by and between the parties hereto that the first and primary obligation of the City is to furnish water to the City of Williamsburg, Kentucky. It is also agreed that the City will operate and maintain its system in a reasonably efficient manner and will take such reasonable action as may be necessary to furnish the purchaser with quantities of water required by the Purchaser. In the event of an emergency or shortage of water, the supply of water to the Purchaser shall be reduced or diminished proportionately as the supply to the City's consumers is reduced. Temporary or partial failures to deliver water shall be remedied as soon as reasonably possible.

5) (modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the District for water delivered are subject to modification at the end of every five (5) years period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the City system. Other provisions of this contract may be modified or altered by mutual agreement.

6) (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws, as may be applicable to similar agreements

J. A. JOHNSON
and
E. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

in the State of Kentucky and the City and District will collaborate in obtaining such permits, certificates or the like, as may be required to comply therewith.

7) (Miscellaneous) That the construction of the water supply distribution system by the District is being financed by a loan and grant from the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture and the Economic Development Administration, and the provisions hereof pertaining to the undertakings of the District are conditioned upon the approval, in writing, of the Farmers Home Administration and Economic Development Administration. Similarly, any modification of the provisions of this Contract, including any increase in the schedule of rates to be paid by the District for the delivery of the water shall be conditioned upon the prior approval, in writing of said agencies.

8) (Successor to the District) That in the event of any occurrence rendering the District incapable of performing under this Contract, any successor of the District, whether the result of legal process, assignment or otherwise, shall succeed to the rights of the District hereunder.

IN WITNESS WHEREOF, the parties hereto acting under the authority of their respective governing bodies have caused this Contract to be duly executed in 6 counterparts, each of which shall constitute an original.

Attest:

Alma I. Early
Alma I. Early, Clerk

Attest:

Josephine Ellison
Josephine Ellison, Secretary

CITY OF WILLIAMSBURG

By Greer Burnette
Greer Burnette, Mayor

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT

By W. B. Early, Jr.
W. B. Early, Jr.

J. B. JOHNSON
and
B. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

This Contract is approved on behalf of the Farmers Home
Administration this 18th day of October, 1965

David R. King
State Director of _____

This Contract is approved on behalf of the Economic Development
Administration this _____ day of _____

(Title)

J. B. JOHNSON
and
E. JOHNSON, JR.
Attorneys at Law
Williamsburg,
Kentucky

ADDENDUM TO WATER PURCHASE CONTRACT

THIS ADDENDUM TO CONTRACT made and entered into this the 15th day of July, 1985, between the CITY OF WILLIAMSBURG, Williamsburg, Kentucky, hereinafter referred to as the "City", and CUMBERLAND FALLS HIGHWAY WATER DISTRICT, hereinafter referred to as the "District".

WITNESSETH

WHEREAS, the "District" and the "City": have heretofore entered into a water purchase contract dated February 12, 1969, and now mutually desire to amend said contract as set out hereinafter. For and in consideration of the mutual promises made hereinafter said agreement is amended as follows:

That the City of Williamsburg agrees to furnish the "District" at the point of delivery during the remainder of the term of this agreement or any renewal or extension thereof, potable treated water meeting applicable as purity standards of the State Board of Health in such quantity as may be required by the "District" (not to exceed five (5) million gallons per month).

B. THE DISTRICT AGREES:

1) (Rates and payment date) To pay the "City", not later than the 20th day of each month, for the delivered at a rate of a flat charge of One (\$1.00) Dollar per thousand (1,000) gallons.

C: IT IS FURTHER MUTUALLY AGREED BETWEEN THE CITY AND DISTRICT AS FOLLOWS:

5) (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid

COMMONWEALTH OF KENTUCKY
34TH JUDICIAL CIRCUIT
WHITLEY CIRCUIT COURT
CIVIL ACTION NO. 87-CI-515

CITY OF WILLIAMSBURG,

PLAINTIFF,

VS:

SETTLEMENT AGREEMENT

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT and FARMERS
HOME ADMINISTRATION,

DEFENDANTS.

WHEREAS, litigation has arisen in the above captioned action between the City of Williamsburg and the Cumberland Falls Highway Water District relative to certain rates for water sold by the City of Williamsburg to the Cumberland Falls Highway Water District.

WHEREAS, the litigation is ongoing and is costly in both time, effort and expense to the City of Williamsburg and the Cumberland Falls Highway Water District and,

WHEREAS, the City of Williamsburg and the Cumberland Falls Highway Water District recognize the need to promote and maintain a good public and customer relations in Whitley County, and the need to promote and maintain a good working relationship between the City of Williamsburg and the Cumberland Falls Highway Water District and further, to minimize legal costs and time of settlement for both parties,

THIS AGREEMENT and the modifications to the contract between the parties is made and entered into the day and date below written.

Settlement of this matter shall be achieved as follows:

All penalty charges for water bills submitted by the City of Williamsburg

to the Cumberland Falls Highway Water District shall be dropped. This sum amounts to \$34,133.19 as of May 8, 1988.

That a contract modification increasing the rate paid per 1,000 gallons of water supplied to the district shall be \$1.50 effective for water bills dated April 8, 1987 through November 8, 1988. This amount of the retroactive increase is in the sum of ~~39,344.50~~ *in correct*

This amount shall be paid to the City of Williamsburg by the Cumberland Falls Highway Water District in equal monthly installments of ^{4,050.00} \$4,370.17 commencing within twenty (20) days this agreement is executed and continuing at the same rate each month until paid in full. No penalties or interest shall be applied to said ^{past due} payments.

On any water bill dated June 8, 1988, and thereafter, the rates shall be \$1.50 per 1,000 gallons. ✓

No additional rate increase shall be considered by the City of Williamsburg as relates to the Cumberland Falls Highway Water District until May of 1989. Any increase sought thereafter, shall be in accordance with the terms and provisions of the contracts and amendments thereto.

Payment of all sums due hereunder shall be made on or before the 29th day of each calendar month or penalties shall be levied by the City of Williamsburg. All of the foregoing to be subject to approval by the Farmers Home Administration and to be modified, where appropriate by amendment to the water purchase contract.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names this the 15 day of November, 1988.

CITY OF WILLIAMSBURG

BY: Donnie Witt
Duly Authorized Representative

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT

BY: Ray Patey
Duly Authorized Representative

STATE OF Kentucky
COUNTY OF Whitley

Produced, acknowledged, subscribed and sworn to before me by Donnie Witt duly authorized representative of the CITY OF WILLIAMSBURG as the duly authorized act and deed of the CITY OF WILLIAMSBURG, this the 15 day of November, 1988.

Evelyn McCallah
NOTARY PUBLIC

MY COMMISSION EXPIRES: 9-19-92

STATE OF _____

COUNTY OF _____

COMMONWEALTH OF KENTUCKY
34TH JUDICIAL CIRCUIT
WHITLEY CIRCUIT COURT
CIVIL ACTION NO. 87-CI-515

CITY OF WILLIAMSBURG,

PLAINTIFF,

VS: AMENDED SETTLEMENT AGREEMENT

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT and
FARMERS HOME ADMINISTRATION

DEFENDANTS.

* * * *

WHEREAS, there has been heretofore executed a settlement agreement dated November 15, 1988 and it has been determined that the amount of the indebtedness shown on page 2 of said agreement setting forth the retroactive increase from April 8, 1987 through November 8, 1988 as being \$39,344.00 when in fact the amount of retroactive increase is \$36,429.00,

THIS AMENDED SETTLEMENT AGREEMENT is made and entered into. It is understood and agreed that the following paragraphs in said agreement are modified as if copied at length therein as follows:

"That a contract modification increasing the rate paid per 1,000 gallons of water supplied to the District shall be \$1.50 effective for water bills dated April 8, 1987 through November 8, 1988. This amount of the retroactive increase is in the sum of_ . . .

\$36,429.00.

This amount shall be paid to the City of Williamsburg by the Cumberland Falls Highway Water District in equal monthly installments of \$4,050.00 commencing within twenty (20) days this agreement is executed and continuing at the same rate each month until paid in full. No penalties or interest shall be applied to said past due payments."

That the foregoing correctly and accurately reflects the understanding of the parties.

IN WITNESS WHEREOF, the parties hereto have subscribed their names this the 9th day of January, 1989.

CITY OF WILLIAMSBURG

BY: Donnie Witt Mayor
DULY AUTHORIZED AGENT

CUMBERLAND FALLS HIGHWAY
WATER DISTRICT

BY: Donnie E. Bunker Sec
DULY AUTHORIZED AGENT

STATE OF KENTUCKY

COUNTY OF WHITLEY

Produced, acknowledged, subscribed and sworn to before me by _____ the duly authorized

representative of City of Williamsburg as the duly authorized act and deed of the CITY OF WILLIAMSBURG, this the _____ day of _____, 1988.

NOTARY PUBLIC

MY COMMISSION EXPIRES: _____

STATE OF KENTUCKY

COUNTY OF WHITLEY

Produced, acknowledged, subscribed and sworn to before me by Donnie Burch the duly authorized representative of Cumberland Falls Highway Water District as the duly authorized act and deed of the CUMBERLAND FALLS HIGHWAY WATER DISTRICT, this the 9 day of January, 1988.

Mark A. Higgins
NOTARY PUBLIC

MY COMMISSION EXPIRES: 1-9-91

A:±CFHWD01.001

April 11, 1994

The Honorable Charles W. Nighbert
Mayor
City of Williamsburg
P.O. Box 119
116 North Second Street
Williamsburg, Kentucky 40769

Quest Engineers, Inc.

RE: Water Production Evaluation
Williamsburg, Kentucky

Lexington:

980 Corporate Drive
Lexington, KY 40503
606-223-3755
606-223-3130 (Fax)

Louisville:

310 West Liberty Street
Suite 315
Louisville, KY 40202
502-584-6056
502-581-1544 (Fax)

Mayor Nighbert:

In response to your request, we have obtained and reviewed data in connection with the City's production and sale of potable water. This letter reports a summary of that data and our evaluation of the cost to provide water service to the residents of Williamsburg and Whitley County.

The audited financial statements (for the year ending June 30, 1993) for the City of Williamsburg indicated operating expenses for water service as shown below:

| | |
|---------------------------------|------------------|
| Wages | \$169,872 |
| Employee taxes and benefits | 36,477 |
| Operating supplies and expense | 25,113 |
| Meter boxes and parts | 9,307 |
| Pump station chemicals | 37,916 |
| Line repair | 12,574 |
| Utilities | 87,313 |
| Office supplies | 6,803 |
| Insurance | 19,311 |
| Vehicle expense | 3,561 |
| Repairs and maintenance | 12,283 |
| Depreciation | 68,835 |
| Outside contractors | 24,011 |
| Miscellaneous | <u>1,857</u> |
| Total Operating Expenses | \$515,233 |

The City's indebtedness related to the water system consists of a 1977 issue of revenue bonds for water improvements and a Kentucky Economic Development Finance Authority (KEDFA) loan through the Whitley County Fiscal Court for water and sanitary sewer improvements. A 41.4 percent portion of the KEDFA loan is water related. The debt service payments are itemized below:

| | | |
|------------|-------------|---------------|
| 1977 Bonds | - Principal | \$32,000 |
| | - Interest | 76,500 |
| | - Coverage | <u>21,700</u> |

Annual Bond Payment = \$130,200

| | | |
|------------|--------------------------|--------------|
| KEDFA Loan | - Principal and Interest | |
| | (\$23,000 x 41.4%) = | \$9,522 |
| | - Coverage | <u>1,904</u> |

Annual Loan Payment = \$11,426

Total Debt Service Payments = \$141,626

Total annual expenditures including operating expenses and debt service for the City of Williamsburg were \$656,859. The volume of water sold during the year ending June 30, 1993 is shown below:

| | | |
|--------|-----------|----------------------|
| 1992 - | July | (gallons) 19,599,000 |
| | August | 23,148,200 |
| | September | 21,652,100 |
| | October | 26,310,600 |
| | November | 21,207,700 |
| | December | 19,859,800 |
| 1993 - | January | 19,693,200 |
| | February | 19,819,800 |
| | March | 19,786,300 |
| | April | 21,114,200 |
| | May | 22,270,400 |
| | June | <u>21,188,900</u> |

Total Water Sold (gallons) = 255,650,200

The Honorable Charles W. Nighbert

April 11, 1994

Page 3

Based on the above expenditures and water volume, the cost of potable water is computed as follows:

- Cost of Water = Total Expenditures ÷ Total Water Volume =
- \$656,859 ÷ 255,650,200 gallons x 1,000 =
- \$2.57/1,000 gallons

We trust this evaluation satisfactorily addresses your request. If you have questions or require additional information, please contact us.

QUEST ENGINEERS, INC.



Joseph C. Lewis, P.E.
Vice President

JCL:pmw

**CITY OF WILLIAMSBURG
WILLIAMSBURG, KENTUCKY**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 1993

**GAMBREL, CARR AND STEELY, PSC.
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Williamsburg, Kentucky as of June 30, 1993, and for the year then ended. These general purpose financial statements are the responsibility of the City of Williamsburg, Kentucky, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Williamsburg, Kentucky, as of June 30, 1993, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Williamsburg, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

October 28, 1993

Gambrel, Carr & Steely, CPA, PSC.

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1993

| | Governmental Fund Types | | Proprietary Fund Type | Account Groups | | Component Units | |
|---|-------------------------|-------------------|-----------------------|----------------------|------------------------|---|---------------------------------|
| | General | Special Revenue | Water And Sewer | General Fixed Assets | General Long-Term Debt | Williamsburg Community Development Agency | Williamsburg Tourism Commission |
| ASSETS | | | | | | | |
| Cash and investments | \$ 47,632 | \$ - | \$ 67,356 | \$ - | \$ - | \$ 100,337 | \$ 41,498 |
| Receivables: | | | | | | | |
| Taxes (less allowance for doubtful accounts \$ 17,210) | 9,416 | 28,473 | - | - | - | - | - |
| Accounts (including \$ 45,400 in unbilled receivables and less allowance for doubtful accounts 4,000) | - | - | 75,772 | - | - | 19,537 | - |
| Other receivables | 6,559 | 21,337 | 14,199 | - | - | - | - |
| Interest receivable | - | - | 1,726 | - | - | - | - |
| Notes receivable | 15,000 | 82,958 | - | - | - | - | - |
| Due from component unit | 32,993 | - | - | - | - | - | - |
| Municipal insurance tax receivable | 48,175 | - | - | - | - | - | - |
| Due from other funds | 60,023 | 18,959 | - | - | - | - | - |
| Prepaid insurance | 3,540 | - | 1,576 | - | - | 2,117 | - |
| Restricted assets: | | | | | | | |
| Cash | 19,226 | 144,212 | 467,038 | - | - | - | - |
| Due from other funds | - | - | 10,000 | - | - | - | - |
| Land and buildings | - | - | 3,418,036 | 503,089 | - | - | - |
| Improvements other than buildings | - | 49,000 | 4,491,447 | 608,305 | - | - | 58,493 |
| Machinery and equipment | - | - | 78,641 | 537,005 | - | 35,177 | 47,202 |
| Accumulated depreciation | - | - | (2,111,807) | - | - | - | - |
| Construction in progress | - | 21,337 | 197,212 | - | - | - | - |
| Other assets | - | - | - | - | - | - | 2,073 |
| Amount to be provided for retirement of general long-term debt | - | - | - | - | 168,411 | - | - |
| Total Assets | \$ 242,564 | \$ 366,276 | \$ 6,711,196 | \$ 1,648,399 | \$ 168,411 | \$ 157,168 | \$ 149,266 |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED BALANCE SHEET (CONTINUED)
 ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1993

| | Governmental Fund Types | | Proprietary Fund Type | Account Groups | | Component Units | |
|---|-------------------------|--------------------|--------------------------|----------------------------|------------------------------|--|---------------------------------------|
| | General | Special Revenue | Water And Sewer | General Fixed Assets | General Long-Term Debt | Williamsburg Community Development Agency | Williamsburg Tourism Commission |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 26,663 | \$ - | \$ 258,213 | \$ - | \$ - | \$ 3,197 | \$ - |
| Accrued expenses | 21,738 | - | 13,066 | - | - | - | - |
| Meter deposits | - | - | 46,335 | - | - | - | - |
| Accrued interest | - | - | 34,949 | - | - | - | - |
| Due to other funds | 10,000 | 41,612 | 37,370 | - | - | - | - |
| Due to primary government | - | - | - | - | - | - | 7,993 |
| Due to City School | 5,940 | - | - | - | - | - | - |
| General obligation note payable | | | | | | | |
| Current | - | - | 600,000 | - | 43,592 | - | - |
| Long-term | - | - | 84,181 | - | 124,819 | - | - |
| Bonds payable from restricted assets | | | | | | | |
| Current | - | - | 85,000 | - | - | - | - |
| Long-term | - | - | 2,871,000 | - | - | - | - |
| Total liabilities | 64,341 | 41,612 | 4,030,114 | - | 168,411 | 3,197 | 7,993 |
| Fund equity: | | | | | | | |
| Contributed Capital | - | - | 2,558,789 | - | - | - | - |
| Investment in general fixed assets | - | - | - | 1,648,399 | - | - | 105,695 |
| Retained earnings: | | | | | | | |
| Surplus | - | - | - | - | - | 153,971 | - |
| Reserved for debt service and depreciation | - | - | 414,627 | - | - | - | - |
| Unreserved (deficit) | - | - | (292,334) | - | - | - | - |
| Fund balances - | | | | | | | |
| Unreserved: | | | | | | | |
| Designated for specific projects | - | 256,109 | - | - | - | - | 35,578 |
| Undesignated | 178,223 | 68,555 | - | - | - | - | - |
| Total fund equity | 178,223 | 324,664 | 2,681,082 | 1,648,399 | - | 153,971 | 141,273 |
| Total liabilities and fund equity | \$ 242,564 | \$ 366,276 | \$ 6,711,196 | \$ 1,648,399 | \$ 168,411 | \$ 157,168 | \$ 149,266 |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended June 30, 1993

| | Governmental Fund Types | | Component Units | |
|--|----------------------------|--------------------|--|---------------------------------------|
| | General | Special Revenue | Williamsburg Community Development Agency | Williamsburg Tourism Commission |
| Revenues: | | | | |
| Taxes, penalties and interest | \$ 248,859 | \$ 223,929 | \$ -- | \$ -- |
| Garbage fees | 189,442 | -- | -- | -- |
| Franchise fees | 93,094 | -- | -- | -- |
| Privilege licenses | 60,198 | -- | -- | -- |
| Municipal insurance tax | 205,722 | -- | -- | -- |
| Payment in lieu of taxes | 7,829 | -- | -- | -- |
| Fees, fines, and permits | 11,945 | -- | -- | -- |
| Recreation revenue | 32,422 | -- | -- | -- |
| Interest revenue | 7,545 | 6,380 | 4,245 | 1,989 |
| Miscellaneous | 9,819 | -- | -- | 2,772 |
| Intergovernmental: | | | | |
| State and local grants and contributions | 16,091 | 116,986 | 1,373,724 | 6,380 |
| State law enforcement and fire protection subsidies | 36,735 | -- | -- | -- |
| Base court revenue | 11,544 | -- | -- | -- |
| | <u>931,245</u> | <u>347,295</u> | <u>1,377,969</u> | <u>11,141</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 406,530 | -- | 1,355,601 | -- |
| Police department | 257,408 | -- | -- | -- |
| Fire department | 123,210 | -- | -- | -- |
| Street department | 37,057 | 18,384 | -- | -- |
| Sanitation department | 138,534 | -- | -- | -- |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 For The Year Ended June 30, 1993

| | Governmental Fund Types | | Component Units | |
|--|----------------------------|--------------------|--|---------------------------------------|
| | General | Special Revenue | Williamsburg Community Development Agency | Williamsburg Tourism Commission |
| Expenditures (Continued): | | | | |
| Current: | | | | |
| Recreation department | \$ 49,063 | \$ - | \$ - | \$ - |
| Economic development | - | 4 | - | - |
| Tourism and recreation | - | 76 | - | 97,635 |
| Debt service: | | | | |
| Principal retirement | 40,632 | - | - | - |
| Interest charges | 13,364 | - | - | - |
| Capital outlay | 56,703 | 35,208 | 9,524 | 9,825 |
| Total expenditures | <u>1,122,501</u> | <u>53,672</u> | <u>1,365,125</u> | <u>107,460</u> |
| Excess of revenues over (under) expenditures | (191,256) | 293,623 | 12,844 | (96,319) |
| Other financing sources (uses): | | | | |
| Sale of assets | 1,400 | - | - | - |
| Replacement of capital assets | (157,607) | - | - | - |
| Operating transfers in | 104,275 | - | - | - |
| Operating transfers out | (2,603) | (108,275) | - | - |
| Operating transfers from component units | 62,000 | - | - | - |
| Operating transfers to component units | - | (146,697) | - | - |
| Operating transfers from primary government | - | - | - | 146,697 |
| Operating transfers to primary government | - | - | - | (62,000) |
| Total other financing sources (uses) | <u>7,465</u> | <u>(254,972)</u> | <u>-</u> | <u>84,697</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | (183,791) | 38,651 | 12,844 | (11,622) |
| Fund balances, beginning of year | <u>362,014</u> | <u>286,013</u> | <u>141,127</u> | <u>47,200</u> |
| Fund balances, end of year | \$ <u>178,223</u> | \$ <u>324,664</u> | \$ <u>153,971</u> | \$ <u>35,578</u> |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND AND
 SPECIAL REVENUE FUND TYPES
 For the Year Ended June 30, 1993

| | <u>General Fund</u> | | |
|--|-----------------------|-----------------------|---|
| | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
| Revenues: | | | |
| Taxes, penalties and interest | \$ 245,000 | \$ 248,859 | \$ 3,859 |
| Garbage fees | 189,000 | 189,442 | 442 |
| Franchise fees | 102,000 | 93,094 | (8,906) |
| Privilege license | 58,500 | 60,198 | 1,698 |
| Municipal insurance tax | 205,000 | 205,722 | 722 |
| Payment in lieu of taxes | 6,000 | 7,829 | 1,829 |
| Fees, fines, and permits | 12,500 | 11,945 | (555) |
| Recreation revenue | 19,000 | 32,422 | 13,422 |
| Interest revenue | 6,000 | 7,545 | 1,545 |
| Miscellaneous | 5,000 | 9,819 | 4,819 |
| Intergovernmental: | | | |
| State and local grants and contributions | -- | 16,091 | 16,091 |
| State law enforcement subsidies | 20,000 | 24,467 | 4,467 |
| State fire protection subsidies | 14,000 | 12,268 | (1,732) |
| Base court revenue | <u>12,000</u> | <u>11,544</u> | <u>(456)</u> |
| Total revenues | <u>\$ 894,000</u> | <u>\$ 931,245</u> | <u>\$ 37,245</u> |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND AND
 SPECIAL REVENUE FUND TYPES (CONTINUED)
 For the Year Ended June 30, 1993

| | <u>General Fund</u> | | Variance Favorable (Unfavorable) |
|--|---------------------|-------------------|--|
| Expenditures: | Budget | Actual | |
| Current: | | | |
| General government | \$ 410,132 | \$ 406,530 | \$ 3,602 |
| Police department | 265,500 | 257,408 | 8,092 |
| Fire department | 128,000 | 123,210 | 4,790 |
| Street department | 92,600 | 37,057 | 55,543 |
| Sanitation department | 153,700 | 138,534 | 15,166 |
| Recreation department | 50,000 | 49,063 | 937 |
| Debt service: | | | |
| Principal retirement | - | 40,632 | (40,632) |
| Interest charges | - | 13,364 | (13,364) |
| Capital outlay: | | | |
| General government | 28,500 | 29,118 | (618) |
| Police department | 15,000 | 22,560 | (7,560) |
| Fire department | - | 1,920 | (1,920) |
| Recreation department | | 3,105 | (3,105) |
| Total expenditures | <u>1,143,432</u> | <u>1,122,501</u> | <u>20,931</u> |
| Excess of revenues over (under) expenditures | (249,432) | (191,256) | 58,176 |
| Other financing sources (uses): | | | |
| Proceeds from insurance | 46,000 | - | (46,000) |
| Sale of capital assets | - | 1,400 | 1,400 |
| Replacement of capital assets | - | (157,607) | (157,607) |
| Operating transfers out | - | (2,603) | (2,603) |
| Operating transfers in | 179,000 | 104,275 | (74,725) |
| Operating transfers from component unit | 30,000 | 62,000 | 32,000 |
| Total other financing sources (uses) | <u>255,000</u> | <u>7,465</u> | <u>(247,535)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 5,568 | (183,791) | (189,359) |
| Fund balance, beginning of year | <u>362,014</u> | <u>362,014</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 367,582</u> | <u>\$ 178,223</u> | <u>\$ (189,359)</u> |

The accompanying notes are an integral part of these financial statements

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 AND SPECIAL REVENUE FUND TYPES (CONTINUED)
 For the Year Ended June 30, 1993

Special Revenue Fund Types

| | Municipal Road Aid | | | Economic Assistance | | | Tourism and Recreation Fund | | |
|---|--------------------|-----------|----------------------------------|---------------------|-----------|----------------------------------|-----------------------------|-----------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | | | | |
| Intergovernmental revenues: | | | | | | | | | |
| Municipal aid to streets | \$ 70,000 | \$ 75,081 | \$ 5,081 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Coal and mineral grants | - | - | - | 19,000 | 20,568 | 1,568 | - | - | - |
| Transient room and restaurant tax | - | - | - | - | - | - | 161,000 | 223,929 | 62,929 |
| Interest income | - | 1,536 | 1,536 | - | 307 | 307 | - | 988 | 988 |
| Total revenues | 70,000 | 76,617 | 6,617 | 19,000 | 20,875 | 1,875 | 161,000 | 224,917 | 63,917 |
| Expenditures | - | 18,384 | (18,384) | - | 4 | (4) | - | 35,284 | (35,284) |
| Total expenditures | - | 18,384 | (18,384) | - | 4 | (4) | - | 35,284 | (35,284) |
| Excess of revenues over expenditures | 70,000 | 58,233 | (11,767) | 19,000 | 20,871 | 1,871 | 161,000 | 189,633 | 28,633 |
| Other financing sources (uses) | | | | | | | | | |
| Operating transfers out: | | | | | | | | | |
| General fund | (70,000) | (30,000) | 40,000 | (19,000) | (20,275) | (1,275) | - | (54,000) | (54,000) |
| Water and Sewer fund | - | - | - | - | (4,000) | (4,000) | - | - | - |
| Component unit | - | - | - | - | - | - | (161,000) | (146,697) | 14,303 |
| Total other financing sources (uses) | (70,000) | (30,000) | 40,000 | (19,000) | (24,275) | (5,275) | (161,000) | (200,697) | (39,697) |
| Excess of revenues over (under) expenditures and other uses | - | 28,233 | 28,233 | - | (3,404) | (3,404) | - | (11,064) | (11,064) |
| Fund balances, beginning of year | 44,140 | 44,140 | - | 22,959 | 22,959 | - | 53,989 | 53,989 | - |
| Fund balances, end of year | \$ 44,140 | \$ 72,373 | \$ 28,233 | \$ 22,959 | \$ 19,555 | \$ (3,404) | \$ 53,989 | \$ 42,925 | \$ (11,064) |

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

CITY OF WILLIAMSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS – PROPRIETARY FUND TYPE
For the Year Ended June 30, 1993

| | <u>Water and Sewer Fund</u> |
|---|-----------------------------|
| Operating revenues: | |
| -- Water sales (exclusive of tax) | \$ 554,392 |
| Sewer sales (exclusive of tax) | <u>379,143</u> |
| Total operating revenues | <u>933,535</u> |
| Operating expenses: | |
| Wages | 292,568 |
| Employee taxes and benefits | 66,382 |
| Water works supplies and expenses | 25,113 |
| Pump station chemicals | 73,285 |
| Water and sewer line repair | 16,142 |
| Sewer supplies and expenses | 19,259 |
| Meter boxes and parts | 9,307 |
| Utilities | 108,588 |
| Office supplies | 11,729 |
| Insurance | 37,379 |
| Vehicle expense | 4,346 |
| Repairs and maintenance | 21,177 |
| Depreciation | 151,887 |
| Outside contractors | 40,131 |
| Miscellaneous | <u>3,202</u> |
| Total operating expenses | <u>880,495</u> |
| Operating income | <u>53,040</u> |
| Non – operating revenues (expenses): | |
| Interest on revenue bonds | (142,744) |
| Interest on investments | 16,640 |
| Miscellaneous income | 15,519 |
| Operating transfers in | <u>4,000</u> |
| Total non – operating revenues (expenses) | <u>(106,585)</u> |
| Net income (loss) | (53,545) |
| Retained earnings, beginning of year | <u>175,838</u> |
| Retained earnings, end of year | <u>\$ 122,293</u> |

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

CITY OF WILLIAMSBURG , KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Year Ended June 30, 1993

Water and Sewer Fund

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Operating income | \$ 53,040 |
| -- Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 151,887 |
| (Increase) decrease in: | |
| Accounts receivable | (5,235) |
| Prepaid expenses | 8,505 |
| Interest receivable | 6,274 |
| Other receivable | 802 |
| Increase (decrease) in: | |
| Accounts payable | 230,293 |
| Meter deposits | 5,824 |
| Accrued interest | (851) |
| Other liabilities | (1,688) |
| Net cash provided by operating activities | <u>448,851</u> |
| Cash flows from non-capital financing activities: | |
| Other receipts | 19,519 |
| Payments to other funds | (73,966) |
| Net cash used by non-capital financing activities | <u>(54,447)</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from loans and advances | 684,181 |
| Principal payments on long-term debt | (81,000) |
| Interest payments on long-term debt | (142,744) |
| Additions to property and equipment | (1,042,768) |
| Net cash used by capital and related financing activities | <u>(582,331)</u> |
| Cash flows from investing activities: | |
| Interest on investments | 16,640 |
| Net cash provided by investing activities | <u>16,640</u> |
| Net decrease in cash and cash equivalents | (171,287) |
| Cash and cash equivalents, beginning of year | <u>705,681</u> |
| Cash and cash equivalents, end of year | <u>\$ 534,394</u> |

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Williamsburg, Kentucky ("City") is a Kentucky municipal corporation which operates under a Mayor and City Council form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The following significant accounting policies were applied in the preparation of the accompanying financial statements.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic criterion is the exercise of oversight responsibility by the City. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The component units discretely presented were selected using positive criteria.

Included in the Reporting Entity:

1. Williamsburg Community Development Agency – The Agency was formed on September 9, 1976 by the City under the United States Housing Act of 1937, for the purpose of providing decent, safe and sanitary housing for low-income families.
2. Williamsburg Tourism Commission – The Commission was formed by the City for the purpose of promoting recreational, convention and tourist activities.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The following fund types and account groups are used by the City:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Fund Types

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

2. Proprietary Fund Type

Enterprise Funds – Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Account Groups

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the City's general fixed assets and general long-term debt. The following are the City's account groups:

General Fixed Assets Account Group is used to maintain control and cost information of all fixed assets other than those accounted for in the Proprietary Fund.

General Long-Term Debt Account Group is used to record the outstanding long-term obligations not otherwise recorded in the Proprietary Fund.

C. Measurement Focus/Basis of Accounting

Measurement Focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Governmental Fund Types (General Fund and Special Revenue Funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The Proprietary Fund Type (Enterprise Fund) uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The Williamsburg Community Development Agency follows accounting policies and practices prescribed by the Department of Housing and Urban Development (HUD). These policies and practices differ significantly from generally accepted accounting principles. Some of the most significant differences of HUD accounting policies and generally accepted accounting principles are as follows:

Depreciation is not recorded on buildings and equipment.

Many of the financial statement terminologies are specialized for HUD use. For example, the HUD term "surplus" is used instead of "retained earnings".

Federal annual contributions for debt service are shown as direct additions to surplus under HUD accounting policies. Under generally accepted accounting principles, they are typically shown as income.

D. Budgets and Budgetary Accounting

The City Council adopts an annual budget for the General Fund and Enterprise Fund. The Enterprise Fund budget is used as a management control device. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund, and is legally adopted prior to July 1, by passage of an ordinance. KRS 91A.030, subsection 10, allows for the amending of the budget ordinance. Subsequent to the year end the City amended its General Fund budget to increase General Fund revenues by \$101,000 and its General Fund expenditures by \$95,432. The budget, as amended, for the General Fund and the legally adopted budgets of the Special Revenue Funds are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund Types.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Fund Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City defines cash and cash equivalents as all cash on hand and on deposit with a financial institution including certificates of deposit.

2. Inventory and Prepaid Insurance

The City utilizes the purchase method of accounting for inventory and utilizes the consumption method of accounting for insurance expenditures.

3. Infrastructure Assets

Public domain (Infrastructure) which include certain improvements other than buildings constructed in the public right of way, i.e., roads, bridges, curbs, gutters, streets, sidewalks and lighting systems are not capitalized in the General Fixed Assets Account Group, but are recorded as expenditures in the General Fund and the Special Revenue Funds at the time the goods are received and a liability is incurred.

F. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued except for licenses, fines, permits, and charges for services (primarily fees) which are reported on the cash basis in the General Fund. Property taxes are billed and collected within the same fiscal period and are reflected on the modified accrual basis.

Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles:

General obligation long-term debt principal and interest are reported only when due.

1. Interfund Transactions

Quasi-external transactions are accounted for as fund revenues, expenditures or expenses (as appropriate). Transactions which constitute reimbursements to a fund for expenditures (expenses) initially made are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of the expenditures (expenses) in the reimbursed fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. All other interfund transactions are treated as operating transfers.

2. Compensated Absences

The City accrues accumulated unpaid vacation leave when earned by the employee. All accrued leave is expected to be paid from currently available resources.

3. Other Financing Sources (Uses)

In February 1992, a fire damaged the City Hall Building and totally destroyed certain equipment and supplies.

Replacement costs of \$157,607 are included in these financial statements as part of Other Financing Sources (Uses).

Costs considered as improvement to building and upgrading of equipment are reported as capital outlay or as additions to equipment in the appropriate fund.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City receives Municipal Road Aid and Local Government Economic Assistance, as well as state subsidies for law enforcement and fire protection. In regards to these funds, the City has no material violations of the legal and contractual provisions.

CITY OF WILLIAMSBURG, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 1993

NOTE 3 – CASH AND INVESTMENTS

Deposits (cash and certificates of deposit) are carried at cost which approximates market value.

At June 30, 1993, the deposits of the City and Component Units as covered by federal depository insurance or secured by collateral pledged to the City and held by a safekeeping agent are as follows:

| | City of Williamsburg And Williamsburg Tourism <u>Commission</u> | Williamsburg Community Development <u>Agency</u> |
|-----------------------|--|---|
| Carrying Amount | \$ <u>786,070</u> | \$ <u>100,337</u> |
| Bank Balance | 850,078 | 104,215 |
| FDIC Coverage | 300,606 | 104,215 |
| Secured by Collateral | <u>549,472</u> | <u>-0-</u> |
| Uncollateralized | \$ <u><u>-0-</u></u> | \$ <u><u>-0-</u></u> |

NOTE 4 – PROPERTY TAXES

The City's tax rates are set by the City Council to be levied on the assessment as of January 1 of that year.

The taxable assessment is determined by using the county assessment subject to City tax obtained from the Whitley County Property Valuation Administrator. Tax bills are mailed by the City in November of each year and are due and payable on or before January 1 of the following year.

CITY OF WILLIAMSBURG, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 1993

NOTE 5 – NOTES RECEIVABLE

The note receivable recorded in the General Fund consists of a participating note between First National Bank & Trust Company of Corbin and the City on behalf of Transcare Ambulance Service, Inc. On August 23, 1993 the City voted to forgive the receivable over a periodic basis.

The note receivable recorded in the Special Revenue Fund consists of an original loan to Lion Apparel, Inc. in the amount of \$125,000 at 3% interest payable in monthly installments for fifteen years. The principal received during the year was \$7,743. The note receivable balance at June 30, 1993 is \$82,958.

NOTE 6 – RESTRICTED ASSETS

The restricted assets at June 30, 1993, consisted of the following:

| | <u>General Fund</u> | <u>Water and Sewer Fund</u> | <u>Special Revenue Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|
| Cash: | | | |
| Fire Department – Special | \$ 5,347 | \$ – | \$ – |
| Police Department – Special | 743 | | |
| Williamsburg D.A.R.E. | 2,495 | – | – |
| Local Records Project | 3,355 | – | – |
| Historical Preservation | 7,286 | – | – |
| Bond Interest and Redemption Sinking Fund | – | 235,433 | – |
| Depreciation Funds | – | 139,927 | – |
| Restricted – Economic Development Activity | – | – | 56,976 |
| Restricted – Street Repairs | – | – | 72,373 |
| Restricted – Tourism and Recreation | – | – | 14,452 |
| Restricted – Sewer Construction | – | 91,678 | 411 |
| | <u>\$ 19,226</u> | <u>\$ 467,038</u> | <u>\$ 144,212</u> |
| Due from other funds | <u>\$ –</u> | <u>\$ 10,000</u> | <u>\$ –</u> |

CITY OF WILLIAMSBURG, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 1993

NOTE 7 - GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in the General Fixed Assets Account Group:

| | <u>Balance</u> <u>July 1, 1992</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 1993</u> |
|---------------------------------|---------------------------------------|------------------|-------------------|--|
| Buildings | \$ 481,890 | \$ 21,199 | \$ -- | \$ 503,089 |
| City pool and parks | 569,992 | 38,313 | -- | 608,305 |
| Fire Department equipment | 202,890 | 1,920 | -- | 204,810 |
| Police Department equipment | 64,350 | 22,559 | 15,561 | 71,348 |
| Street Department equipment | 67,658 | -- | -- | 67,658 |
| Garbage Department equipment | 129,328 | -- | -- | 129,328 |
| Other equipment | <u>55,941</u> | <u>7,920</u> | <u>--</u> | <u>63,861</u> |
| Totals | \$ <u>1,572,049</u> | \$ <u>91,911</u> | \$ <u>15,561</u> | \$ <u>1,648,399</u> |

NOTE 8 – RETIREMENT PLAN

County Employees Retirement System – The County Employees Retirement System of Kentucky ("System") is a multi-employer public retirement plan created by and operating under Kentucky law.

The County Employees Retirement System is a defined benefit plan which covers substantially all regular full-time employees of each county and school board, and any additional local agencies electing to participate in the System. The Plan provides for retirement, disability and death benefits.

For the year ended June 30, 1993, participating employees contributed 5.00% of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. Participating employers contributed 8.82% of members' non-hazardous compensation for the year ended June 30, 1993. The contribution requirement for the year ended June 30, 1993, was \$ 81,429.45, which consisted of \$ 51,968.67 from the City and \$ 29,460.78 from the employees.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The System does not make separate measurements of assets and benefit obligations for individual employers. The pension benefit obligation, determined as a part of actuarial valuation, at June 30, 1992, for the System as a whole, was \$ 1,696,645,283. The System's net assets available for benefits on June 30, 1992, (valued at cost) were \$ 1,554,891,540, leaving an unfunded pension benefit obligation of \$ 141,753,743.

Seven-year historical trend information designed to provide information about the System's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's Annual Report for the fiscal year ending June 30, 1992.

CITY OF WILLIAMSBURG, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 1993

NOTE 9 – GENERAL LONG-TERM DEBT

The following is a summary of the General Long-Term Debt Account Group:

| | Balance July 1, 1992 | Issued | Retired | Balance June 30, 1993 |
|--|----------------------------|--------|-----------|-----------------------------|
| General obligation bank note, collateralized by tourism building, original balance of \$250,000 bearing interest at 7% | \$ 209,043 | \$ — | \$ 40,632 | \$ 168,411 |
| Totals | \$ 209,043 | \$ — | \$ 40,632 | \$ 168,411 |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------|-----------|------------|
| 1994 | \$ 43,592 | \$ 10,408 | \$ 54,000 |
| 1995 | 46,743 | 7,257 | 54,000 |
| 1996 | 78,076 | 3,689 | 81,765 |
| Totals | \$ 168,411 | \$ 21,354 | \$ 189,765 |

NOTE 10 – NOTES AND BONDS PAYABLE – WATER AND SEWER FUND

The note payable of \$600,000 consists of two unsecured demand notes with interest at the rate of 5% to be issued as interim financing for water and sewer infrastructure expansion. The City expects funding to be provided by a contribution from Williamsburg Plastics, a direct grant from Economic Development Bonds and a Kentucky Economic Development Finance Authority/ Whitley County Fiscal Court loan.

The note payable of \$84,181 represents advances received at June 30, 1993 on a loan from the Kentucky Infrastructure Authority. The total loan amount of \$1,042,411 bears interest at a rate of 2%. Repayment is over a 20 year period, with the final payback agreement available upon completion of the project.

NOTE 10 – NOTES AND BONDS PAYABLE – WATER AND SEWER FUND (CONTINUED)

Revenue bonds of \$1,142,000 with interest at the rate of 3–3/8% were issued by the City on April 1, 1963, to finance construction of a sewer facility. The bonds outstanding of \$469,000 at June 30, 1993, are payable solely from and secured by an exclusive pledge of operating income of the Fund and a statutory mortgage lien exists on the utility plant. Bonds retired during the year were \$39,000.

Revenue bonds of \$ 1,833,000 with interest at the rate of 5% were issued by the City on April 1, 1977, to defray the cost (not otherwise provided) of a new water treatment plant and appurtenant facilities. The bonds outstanding of \$ 1,498,000 at June 30, 1993, are payable solely from and secured by a secondary pledge of operating income of the Fund and a secondary lien on the facilities subject to the vested rights and priorities of the bonds of 1963. Bonds retired during the year were \$ 32,000.

Revenue bonds of \$ 1,018,000 with interest at the rate of 5% were issued by the City on September 11, 1990, to defray the cost (not otherwise provided) of a sewer line expansion project. The bonds outstanding of \$ 989,000 at June 30, 1993, are payable solely on a second–lien basis, on a parity with the bonds of 1977, out of the gross revenues of the Fund, subject to the vested rights and priority of the bonds of 1963. Bonds retired during the year were \$ 10,000.

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.

NOTE 11 – INTERFUND PAYABLES AND RECEIVABLES

Interfund payables and receivables at June 30, 1993, consisted of the following:

| <u>Amount</u> | <u>Due to</u> | <u>Due from</u> |
|------------------|----------------------|----------------------|
| \$ 18,411 | General Fund | Water and Sewer Fund |
| 41,612 | General Fund | Special Revenue Fund |
| 18,959 | Special Revenue Fund | Water and Sewer Fund |
| <u>10,000</u> | Water and Sewer Fund | General Fund |
| <u>\$ 88,982</u> | | |

NOTE 12 - CONSTRUCTION IN PROGRESS

Bon Jellico Line Project

The City is in the process of constructing an amphitheater at the Bon Jellico park and constructing a convention and tourist information center located within the City limits near the intersection of Kentucky 92 and Interstate 75, ("the Project"). The City has been approved for a grant, ("Grant"), of \$826,800 from the Commonwealth of Kentucky by and through the State Property and Buildings Commission of Kentucky and the Cabinet for Economic Development of Kentucky, for use in completing the project. At June 30, 1993, the City had expended \$21,337 toward construction of the project.

Sewer System Expansion Project

The City is rehabilitating the wastewater collection system by trunk sewer replacements along the Cumberland River and pump station up-grades. The project is being funded by a Kentucky Infrastructure Authority loan and the balance of existing Community Development Block Grant and Appalachian Regional Commission funds. The total project cost is \$1,119,710.

SUPPLEMENTAL
SCHEDULES

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUND TYPES
 June 30, 1993

| | Bon Jellico Line Project | Municipal Road Aid | Economic Assistance | Tourism and Recreation | Community Development Block Grant | Total |
|---|-----------------------------|-------------------------|-------------------------|------------------------------|---|--------------------------|
| ASSETS | | | | | | |
| Cash | \$ - | \$ 72,373 | \$ 20,871 | \$ 14,452 | \$ 36,516 | \$ 144,212 |
| Taxes receivable | - | - | - | 28,473 | - | 28,473 |
| Note receivable | - | - | - | - | 82,958 | 82,958 |
| Due from other funds | - | - | 18,959 | - | - | 18,959 |
| Water system improvements | - | - | - | - | 49,000 | 49,000 |
| Construction in progress | 21,337 | - | - | - | - | 21,337 |
| Grant receivable | 21,337 | - | - | - | - | 21,337 |
| | <u>21,337</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,337</u> |
| Total assets | \$ <u>42,674</u> | \$ <u>72,373</u> | \$ <u>39,830</u> | \$ <u>42,925</u> | \$ <u>168,474</u> | \$ <u>366,276</u> |
| LIABILITIES AND FUND EQUITY | | | | | | |
| Liabilities: | | | | | | |
| Due to general fund | \$ <u>21,337</u> | \$ - | \$ <u>20,275</u> | \$ - | \$ - | \$ <u>41,612</u> |
| Total liabilities | 21,337 | - | 20,275 | - | - | 41,612 |
| Fund Equity: | | | | | | |
| Undesignated | - | - | 19,555 | - | 49,000 | 68,555 |
| Designated for street repair | - | 72,373 | - | - | - | 72,373 |
| Designated for economic development activities | 21,337 | - | - | - | 119,474 | 140,811 |
| Designated for tourism and recreation | - | - | - | 42,925 | - | 42,925 |
| | <u>21,337</u> | <u>72,373</u> | <u>19,555</u> | <u>42,925</u> | <u>168,474</u> | <u>324,664</u> |
| Total fund equity | <u>21,337</u> | <u>72,373</u> | <u>19,555</u> | <u>42,925</u> | <u>168,474</u> | <u>324,664</u> |
| Total liabilities and fund equity | \$ <u>42,674</u> | \$ <u>72,373</u> | \$ <u>39,830</u> | \$ <u>42,925</u> | \$ <u>168,474</u> | \$ <u>366,276</u> |

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

CITY OF WILLIAMSBURG, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUND TYPES
 For The Year Ended June 30, 1993

| | <u>Bon Jellico Line Project</u> | <u>Municipal Road Aid</u> | <u>Economic Assistance</u> | <u>Tourism And Recreation</u> | <u>Community Development Block Grant</u> | <u>Total</u> |
|--|-------------------------------------|-------------------------------|--------------------------------|---------------------------------------|--|-------------------|
| Revenues: | | | | | | |
| Intergovernmental revenues: | | | | | | |
| Municipal aid to streets | \$ - | \$ 75,081 | \$ - | \$ - | \$ - | \$ 75,081 |
| Coal and mineral grants | - | - | 20,568 | - | - | 20,568 |
| Economic development grant | 21,337 | - | - | - | - | 21,337 |
| Transient room tax | - | - | - | 53,241 | - | 53,241 |
| Restaraunt tax | - | - | - | 170,688 | - | 170,688 |
| Interest income | - | 1,536 | 307 | 988 | 3,549 | 6,380 |
| | <u>21,337</u> | <u>76,617</u> | <u>20,875</u> | <u>224,917</u> | <u>3,549</u> | <u>347,295</u> |
| Total revenues | 21,337 | 76,617 | 20,875 | 224,917 | 3,549 | 347,295 |
| Expenditures: | | | | | | |
| Highway and streets | - | 18,384 | - | - | - | 18,384 |
| Economic development | - | - | 4 | - | - | 4 |
| Tourism and recreation | - | - | - | 35,284 | - | 35,284 |
| | <u>-</u> | <u>18,384</u> | <u>4</u> | <u>35,284</u> | <u>-</u> | <u>53,672</u> |
| Total expenditures | - | 18,384 | 4 | 35,284 | - | 53,672 |
| Excess of revenues over (under) expenditures | 21,337 | 58,233 | 20,871 | 189,633 | 3,549 | 293,623 |
| Other financing sources (uses): | | | | | | |
| Operating transfer out | - | (30,000) | (24,275) | (54,000) | - | (108,275) |
| Operating transfers to component unit | - | - | - | (146,697) | - | (146,697) |
| | <u>-</u> | <u>(30,000)</u> | <u>(24,275)</u> | <u>(200,697)</u> | <u>-</u> | <u>(254,972)</u> |
| Total other financing sources (uses) | - | (30,000) | (24,275) | (200,697) | - | (254,972) |
| Excess of revenues over (under) expenditures and other uses | 21,337 | 28,233 | (3,404) | (11,064) | 3,549 | 38,651 |
| Fund balances, beginning of year | - | 44,140 | 22,959 | 53,989 | 164,925 | 286,013 |
| Fund balances, end of year | \$ 21,337 | \$ 72,373 | \$ 19,555 | \$ 42,925 | \$ 168,474 | \$ 324,664 |

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

CITY OF WILLIAMSBURG, KENTUCKY
 SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 WATER AND SEWER FUND
 For the Year Ended June 30, 1993

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------------|
| Operating revenues: | | | |
| Sales (exclusive of tax) | \$ 554,392 | \$ 379,143 | \$ 933,535 |
| Operating expenses: | | | |
| Wages | 169,872 | 122,696 | 292,568 |
| Employee taxes and benefits | 36,477 | 29,905 | 66,382 |
| Operating supplies and expense | 25,113 | 19,259 | 44,372 |
| Meter boxes and parts | 9,307 | - | 9,307 |
| Pump station chemicals | 37,916 | 35,369 | 73,285 |
| Line repair | 12,574 | 3,568 | 16,142 |
| Utilities | 87,313 | 21,275 | 108,588 |
| Office supplies | 6,803 | 4,926 | 11,729 |
| Insurance | 19,311 | 18,068 | 37,379 |
| Vehicle expense | 3,561 | 785 | 4,346 |
| Repairs and maintenance | 12,283 | 8,894 | 21,177 |
| Depreciation | 68,835 | 83,052 | 151,887 |
| Outside contractors | 24,011 | 16,120 | 40,131 |
| Miscellaneous | 1,857 | 1,345 | 3,202 |
| Total operating expenses | <u>515,233</u> | <u>365,262</u> | <u>880,495</u> |
| Operating income (loss) | 39,159 | 13,881 | 53,040 |
| Non-operating revenues (expenses): | | | |
| Interest on revenue bonds | (83,669) | (59,075) | (142,744) |
| Interest on investments | 9,608 | 7,032 | 16,640 |
| Miscellaneous | 7,760 | 7,759 | 15,519 |
| Operating transfers in | 2,000 | 2,000 | 4,000 |
| Total non-operating revenues (expenses) | <u>(64,301)</u> | <u>(42,284)</u> | <u>(106,585)</u> |
| Net income (loss) | \$ <u>(25,142)</u> | \$ <u>(28,403)</u> | \$ <u>(53,545)</u> |

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

CITY OF WILLIAMSBURG, KENTUCKY
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 June 30, 1993

| <u>FUND</u> | <u>YEAR</u> | <u>PRINCIPAL</u> | <u>ANNUAL INTEREST</u> | <u>TOTAL</u> |
|---|-------------|-------------------|------------------------|-------------------|
| Water and Sewer Fund -- Revenue Bonds, 1963 Issue | 1994 | \$ 40,000 | \$ 15,829 | \$ 55,829 |
| | 1995 | 42,000 | 14,479 | 56,479 |
| | 1996 | 43,000 | 13,061 | 56,061 |
| | 1997 | 44,000 | 11,610 | 55,610 |
| | 1998 | 46,000 | 10,125 | 56,125 |
| | 1999 | 48,000 | 8,572 | 56,572 |
| | 2000 | 50,000 | 6,952 | 56,952 |
| | 2001 | 52,000 | 5,265 | 57,265 |
| | 2002 | 54,000 | 3,510 | 57,510 |
| | 2003 | 50,000 | 1,688 | 51,688 |
| Total | | \$ <u>469,000</u> | \$ <u>91,091</u> | \$ <u>560,091</u> |

CITY OF WILLIAMSBURG, KENTUCKY
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 June 30, 1993

| <u>FUND</u> | <u>YEAR</u> | <u>PRINCIPAL</u> | <u>ANNUAL INTEREST</u> | <u>TOTAL</u> |
|--|-------------|---------------------|------------------------|---------------------|
| .. Water and Sewer Fund -- Revenue Bonds, 1977 Issue | 1994 | \$ 34,000 | \$ 74,900 | \$ 108,900 |
| | 1995 | 35,000 | 73,200 | 108,200 |
| | 1996 | 37,000 | 71,450 | 108,450 |
| | 1997 | 39,000 | 69,600 | 108,600 |
| | 1998 | 41,000 | 67,650 | 108,650 |
| | 1999 | 43,000 | 65,500 | 108,500 |
| | 2000 | 45,000 | 63,450 | 108,450 |
| | 2001 | 47,000 | 61,200 | 108,200 |
| | 2002 | 50,000 | 58,850 | 108,850 |
| | 2003 | 52,000 | 56,350 | 108,350 |
| | 2004 | 55,000 | 53,750 | 108,750 |
| | 2005 | 58,000 | 51,000 | 109,000 |
| | 2006 | 61,000 | 48,100 | 109,100 |
| | 2007 | 64,000 | 45,050 | 109,050 |
| | 2008 | 67,000 | 41,850 | 108,850 |
| | 2009 | 70,000 | 38,500 | 108,500 |
| | 2010 | 73,000 | 35,000 | 108,000 |
| | 2011 | 77,000 | 31,350 | 108,350 |
| 2012 | 81,000 | 27,500 | 108,500 | |
| 2013 | 85,000 | 23,450 | 108,450 | |
| 2014 | 89,000 | 19,200 | 108,200 | |
| 2015 | 94,000 | 14,750 | 108,750 | |
| 2016 | 98,000 | 10,050 | 108,050 | |
| 2017 | 103,000 | 5,150 | 108,150 | |
| Total | | \$ <u>1,498,000</u> | \$ <u>1,106,850</u> | \$ <u>2,604,850</u> |

CITY OF WILLIAMSBURG, KENTUCKY
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 June 30, 1993

| <u>FUND</u> | <u>YEAR</u> | <u>PRINCIPAL</u> | <u>ANNUAL INTEREST</u> | <u>TOTAL</u> |
|---|-------------|-------------------|------------------------|---------------------|
| --Water and Sewer Fund -- Revenue Bonds, 1988 Issue | 1994 | \$ 11,000 | \$ 49,450 | \$ 60,450 |
| | 1995 | 11,000 | 48,900 | 59,900 |
| | 1996 | 12,000 | 48,350 | 60,350 |
| | 1997 | 13,000 | 47,750 | 60,750 |
| | 1998 | 13,000 | 47,100 | 60,100 |
| | 1999 | 14,000 | 46,450 | 60,450 |
| | 2000 | 15,000 | 45,750 | 60,750 |
| | 2001 | 15,000 | 45,000 | 60,000 |
| | 2002 | 16,000 | 44,250 | 60,250 |
| | 2003 | 17,000 | 43,450 | 60,450 |
| | 2004 | 18,000 | 42,600 | 60,600 |
| | 2005 | 19,000 | 41,700 | 60,700 |
| | 2006 | 20,000 | 40,750 | 60,750 |
| | 2007 | 21,000 | 39,750 | 60,750 |
| | 2008 | 22,000 | 38,700 | 60,700 |
| | 2009 | 23,000 | 37,600 | 60,600 |
| | 2010 | 24,000 | 36,450 | 60,450 |
| | 2011 | 25,000 | 35,250 | 60,250 |
| | 2012 | 26,000 | 34,000 | 60,000 |
| | 2013 | 28,000 | 32,700 | 60,700 |
| | 2014 | 29,000 | 31,300 | 60,300 |
| | 2015 | 30,000 | 29,850 | 59,850 |
| | 2016 | 32,000 | 28,350 | 60,350 |
| | 2017 | 34,000 | 26,750 | 60,750 |
| | 2018 | 35,000 | 25,050 | 60,050 |
| | 2019 | 37,000 | 23,300 | 60,300 |
| | 2020 | 39,000 | 21,450 | 60,450 |
| | 2021 | 41,000 | 19,500 | 60,500 |
| | 2022 | 43,000 | 17,450 | 60,450 |
| 2023 | 45,000 | 15,300 | 60,300 | |
| 2024 | 47,000 | 13,050 | 60,050 | |
| 2025 | 50,000 | 10,700 | 60,700 | |
| 2026 | 52,000 | 8,200 | 60,200 | |
| 2027 | 55,000 | 5,600 | 60,600 | |
| 2028 | 57,000 | 2,850 | 59,850 | |
| Total | | \$ <u>989,000</u> | \$ <u>1,124,650</u> | \$ <u>2,113,650</u> |

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE

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

We have audited the general purpose financial statements of the City of Williamsburg, Kentucky for the year ended June 30, 1993, and have issued our report thereon dated October 28, 1993. These general purpose financial statements are the responsibility of the City of Williamsburg, Kentucky, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A - 128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the City of Williamsburg, Kentucky taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

October 28, 1993

Gambrel, Carr & Steely, CPA, PSC.

CITY OF WILLIAMSBURG, KENTUCKY
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For the Year Ended June 30, 1993

| Federal Grantor/ Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass Through Grantor's Number | Program or Award Amount | Cash/Accrued or (Deferred) Revenue At July 1, 1992 | Receipts or Revenue Recognized | Disbursements/ Expenditures | Cash/Accrued or (Deferred) Revenue At June 30, 1993 |
|--|---------------------------|--|-------------------------------|---|--------------------------------------|--------------------------------|--|
| U.S. Department of Agriculture/ Farmers Home Administration/ FmHa Bond Proceeds 1988 Issue | - | - | \$ 1,018,000 | \$ 85,482 | \$ 2,017 | - | \$ 87,499 |
| U.S. Department of Housing & Urban Development - Community Development Block Grant Program/Kentucky Department of Local Government | 14.219 | B-86- DC-21- 0001(020) | 750,000 | 411 | - | - | 411 |
| Appalachian Regional Commission/ Section 214 - Distressed Counties/Kentucky Department of Local Government | 23.001 | KY-9605- 86-Y1- 214-0703 | 341,800 | - | - | - | - |
| U.S. Department of Housing & Urban Development - Housing Assistance Payments Programs | 14.156 | - | <u>1,373,724</u> | <u>167,205</u> | <u>1,383,001</u> | <u>1,449,869</u> | <u>100,337</u> |
| Total Federal Assistance | | | <u>\$ 3,483,524</u> | <u>\$ 253,098</u> | <u>\$ 1,385,018</u> | <u>\$ 1,449,869</u> | <u>\$ 188,247</u> |

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have audited the City of Williamsburg, Kentucky, compliance with the requirements that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1993. The management of the City of Williamsburg, Kentucky, is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City of Williamsburg, Kentucky's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Williamsburg, Kentucky, complied, in all material respects, with the requirements that are applicable to its major federal financial assistance programs for the year ended June 30, 1993.

This report is intended for the information of management and the Kentucky Department of Local Government. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

October 28, 1993

Isamuel, Carr & Steely, CPA, PSC.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the general purpose financial statements of the City of Williamsburg, Kentucky, as of and for the year ended June 30, 1993, and have issued our report thereon dated October 28, 1993.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Williamsburg, Kentucky, is the responsibility of the City of Williamsburg, Kentucky, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City of Williamsburg, Kentucky, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied in all material respects, with those provisions.

We noted certain immaterial instances of noncompliance that we have reported to the management of the City of Williamsburg, Kentucky, in a separate letter dated October 28, 1993.

This report is intended for the information of management and the Kentucky Department of Local Government. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

October 28, 1993

Gambrel, Carr & Steely, CPA, PSC.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have applied procedures to test the City of Williamsburg, Kentucky, compliance with the following requirements applicable to its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1993: Political activity, Civil rights, Cash management, Allowable costs/cost principles, Drug-free Workplace Act and Administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Williamsburg, Kentucky, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Williamsburg, Kentucky, had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the Kentucky Department of Local Government. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

October 28, 1993

Gambrel, Carr & Steely, CPA, PSC.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the City of Williamsburg, Kentucky for the year ended June 30, 1993, and have issued our report thereon dated October 28, 1993.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128 "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City of Williamsburg, Kentucky, for the year ended June 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City of Williamsburg, Kentucky, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Treasury or Financing
Revenue/receipts
Purchases/disbursements
External financing reporting

For all the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We noted other matters involving the internal control structure and its operation that we have reported to the management of the City of Williamsburg, Kentucky, in a separate letter dated October 28, 1993.

This report is intended for the information of management and the Kentucky Department of Local Government. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

October 28, 1993.

Sambrel, Carr & Stealy, CPA, PSC.

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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

We have audited the general purpose financial statements of the City of Williamsburg, Kentucky, for the year ended June 30, 1993, and have issued our report thereon dated October 28, 1993. We have also audited the City of Williamsburg, Kentucky, compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 28, 1993.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A – 128, "Audits of State and Local Governments". Those standards and OMB Circular A – 128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and whether the City of Williamsburg, Kentucky, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1993, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the City's general purpose financial statements and on its compliance with requirements applicable to major programs and not to provide assurance on the internal control structure. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated October 28, 1993.

The management of the City of Williamsburg, Kentucky, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories: Political activity, Civil rights, Cash management, Allowable Costs, Drug-free Workplace Act, and Administrative requirements. For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1993, City of Williamsburg, Kentucky, expended 100% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements, that are applicable to each of the City's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We noted other matters involving the internal control structure and its operation that we have reported to the management of the City of Williamsburg, Kentucky, in a separate letter dated October 28, 1993.

This report is intended solely for the use of management and the Kentucky Department of Local Government and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Williamsburg, Kentucky, is a matter of public record.

October 28, 1993

Samuel, Carr E. Stealy, CPA, PSC.

CITY COUNCIL

Sue Morgan
Richard Foley
Roger Harrison
Joe Early
Paul Estes
Laurel West

CITY OF WILLIAMSBURG

BILL NIGHBERT, MAYOR

**COUNTY SEAT OF WHITLEY COUNTY
WILLIAMSBURG, KENTUCKY 40769**

Telephone (606) 549-6033

Fax (606) 549-6080

**CITY CLERK
Teresa H. Black**

May 4, 1994

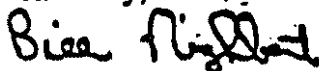
Cumberland Falls Water District
7126 Cumberland Falls Hwy.
Corbin, KY 40701

Dear Sirs:

This letter is to inform you that during the April meeting of the Williamsburg City Council that the council voted 6-0 to raise water rates to your entity. The new rate, effective July 1, 1994 will be \$2.40 per one-thousand gallons. This figure is based on water cost calculated by our engineering firm, Quest Engineers.

This represents the first increase to water districts since 1986 and fairly represents our cost of producing water. I hope this will give you sufficient time to notify your consumers. If you have any questions please feel free to contact my office at 549-6033.

Sincerely,



Bill Nighbert
Mayor

BN/jr