CITY OF GEORGETOWN, KENTUCKY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Karen Tingle-Sames and
Members of City Council
City of Georgetown
Georgetown, Kentucky 40324

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the forgoing table of contents. These financial statements are the responsibility of the City of Georgetown, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of Georgetown, Kentucky as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2008, on our consideration of the City of Georgetown, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on pages 6 through 9 is not a required part of the basic financial statements but is supplemental information required by the accounting principles general accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Georgetown, Kentucky's basic financial statements. The supplemental information contained on pages 47 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards contained on page 58 is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133*, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kelley, Galloway & Company, PSC

January 20, 2008

Basic Financial Statements

The following discussion is presented with the financial statements and the Independent Auditors' Report for the City of Georgetown for the year ended June 30, 2008. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. In accordance with the required reporting standards, the City presents (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements report the overall financial position and activities of the City as a whole. Included in the government-wide financial statements are the Statement of Net Assets and the Statement of Activities. The statements are prepared using the accounting principles similar to a commercial business. All funds are included in the statements except for the Fiduciary Funds. The Fiduciary Funds are not included because the fund's resources cannot be used to finance the City's activities.

The Statement of Net Assets shows the difference between the City's total assets and total liabilities. The net assets are similar to the owner's equity in financial statements of a commercial business. The City's purpose is to provide services and not to accumulate net assets, but an increase in the net assets shows the financial position of the City has improved.

The Statement of Activities shows the revenues and expenses of the City using the accrual method of accounting. The activities are measured like a commercial business. Revenues are reported although they may be collected after the end of the fiscal year, and expenses are recorded even though all may not be paid by the end of the fiscal year. The change in net assets reported by the City is similar to net income in a commercial business. This statement focuses on the City's net cost of various activities provided. One column shows the expenses of the major functions/programs, and the other columns show the revenues relating to these functions or programs.

The net (expense)/revenue column is the difference between the expenses and the revenues for the specific activities. The activities are reported as follows:

- **Governmental Activities.** The City's basic services are reported in the governmental activities. Included are general government, public safety, public works, building inspection, rental, cemetery, and community and economic development activities. These activities are financed by taxes, license fees and permits, fines and reimbursements, and state and federal grants.

- **Business-Type Activities.** The City's business-type activities are the Water & Wastewater Treatment Plant #1, the Wastewater Treatment Plant #2, and the Water & Wastewater Treatment Plant #3, which are activities of Georgetown Municipal Water and Sewer Service. Their activities are included because the City approves all contracts for purchases over $10,000, issues all debt instruments, and approves changes in the rate schedules. Solid Waste and Sanitation are the other business-type activities. The City charges sanitation fees to customers to help cover the cost of the collection.

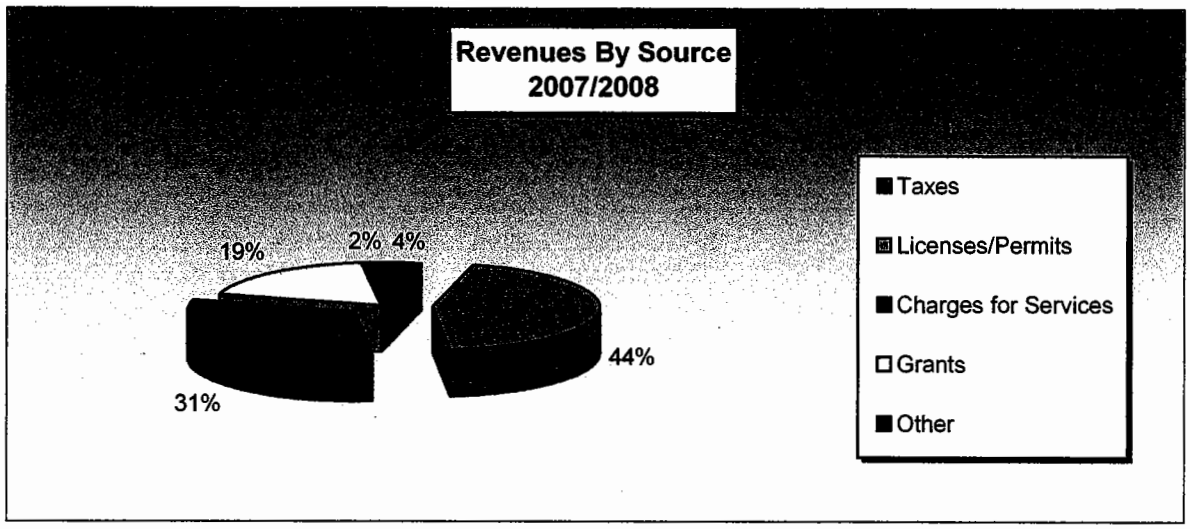
Current year information concerning the government-wide financial statements is required to be reported with comparisons to the prior year and is summarized as follows:

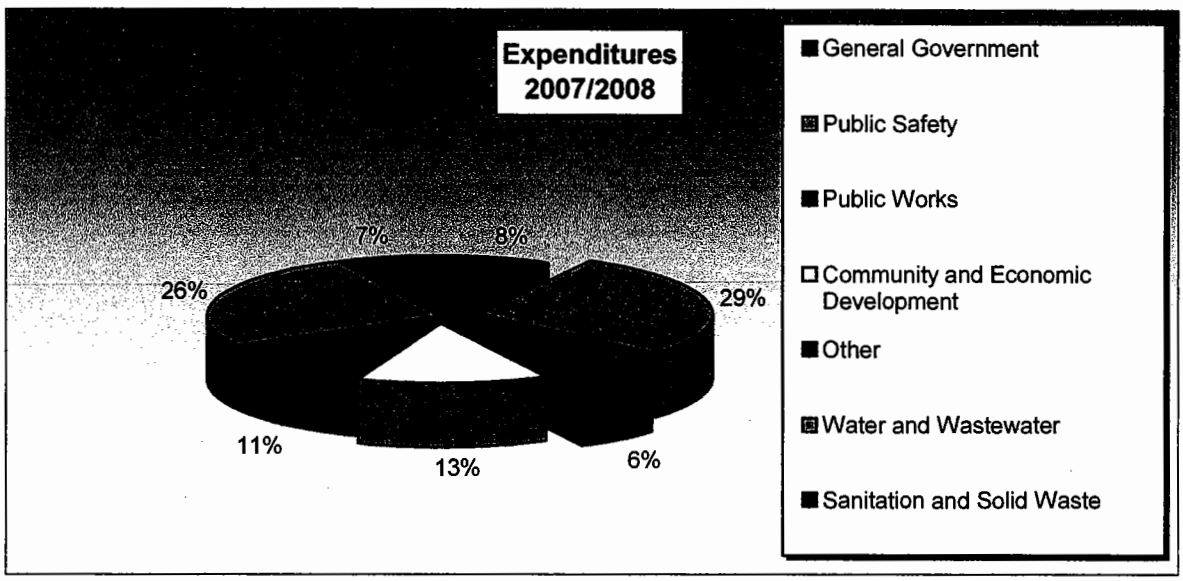
Net Assets for the period ending June 30, 2008 as compared to June 30, 2007

	June 30, 2008	June 30, 2007
Current Assets	$ 17,086,396	$ 19,217,284
Noncurrent Assets	167,380,790	166,997,195
Total Assets	$ 184,467,186	$ 186,214,479
Current Liabilities	$ 7,062,196	$ 6,756,949
Noncurrent Liabilities	27,327,435	28,634,338
Total Liabilities	34,389,631	35,391,287
Net Assets		
Investment in capital assets (net of debt)	138,760,260	136,044,855
Restricted	3,461,442	5,084,472
Unreserved Fund Balance	7,855,853	9,693,865
Total Net Assets	$ 150,077,555	$ 150,823,192

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2008 and 2007, respectively.

	2008 Amount	2007 Amount
Revenues:		
Property and other taxes	$ 1,440,842	$ 1,209,564
Licenses, fees, and permits	15,906,374	16,212,038
Fines and reimbursements	112,740	33,832
Intergovernmental revenues	6,786,153	11,578,785
Sales and services	10,998,018	11,078,412
Interest income	331,721	551,010
Other sources	260,116	254,609
Total revenues	35,835,964	40,918,250
Expenses:		
General government	2,547,362	2,851,984
Public safety	10,788,540	10,692,494
Public works	2,588,668	2,308,874
Building inspection	641,788	720,307
Cardome	713,947	664,874
Cemetary	287,165	318,285
Community and economic	3,953,608	4,914,246
Debt service	737,730	609,241
Infrastructure depreciation	1,788,916	1,759,650
Water and wastewater	9,952,996	9,688,804
Sanitation & solid waste	1,580,372	2,666,350
Loss on sale of property	1,000,509	-
Total expenses	36,581,601	37,195,109
Revenue over (under) expenses	$ (745,637)	$ 3,723,141





Fund Financial Statements

The main focus of Fund Financial Statements is on the specific activities of the City instead of the financial activities of the City as a whole. The three categories that the City's fund financial statements are divided into are the Governmental Funds, Proprietary Funds, and Fiduciary Funds.

- **Governmental Funds.** The financial statements in the governmental funds consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances. The General Fund and the Business Park Fund are presented in separate columns because of their significance. Other Governmental funds are combined. The balances and activities in the Governmental Funds are also reported in the Government-Wide Financial Statements previously discussed. Because the modified accrual basis is used in the Governmental Funds there can be significant differences in presentation of the fund financial statements and the entity-wide financial statements, so reconciliations are presented on pages 13 and 15. For fiscal year 2008 the excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) was $291,043 in the General Fund, $83,723 in the Business Park

Fund and ($1,088,196) in the Other Governmental Funds. There was $1,734,175 transferred as other financing uses from the General Fund, $-0- transferred as other financing sources to the Business Park Fund, and $748,959 transferred as other financing sources to the Other Governmental Funds. In addition, proceeds from sale of property in the amount of $672,000 in the General Fund and $204,102 in the Business Park Fund was included in other financing sources.

- **Proprietary Funds.** The financial statement in the Proprietary Funds or Enterprise Funds consist of a statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows. They are prepared using an accounting basis similar to the government-wide financial statements. The total increase in net assets was $2,443,375 for fiscal year 2008. The Water and Wastewater Treatment Plant #1 increased a net $2,565,874, which included $2,236,188 of contributed assets. The Wastewater Treatment Plant #2 decreased by $510,757, which included contributed assets of $177,811. The Water & Wastewater Treatment Plant #3 decreased by $19,211. The Sanitation Fund had a net increase of $189,381, which included a transfer in of $688,587 from the General Fund to cover losses. The Solid Waste Management Fund had a net increase in net assets of $218,088, which included a transfer in of $314,239 from the General Fund to cover debt service.

- **Fiduciary Funds.** The financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City is the Trustee for perpetual care, and the funds are to be used for their intended purpose.

Budgetary Highlights

The original General Fund budget adopted by the City for the fiscal year ended June 30, 2008 is included in the supplementary information beginning on page 42. Actual revenues were less than budgeted by $2,852,854. This was primarily attributed to the occupational & net profits license fees being less than estimated by approximately $3.2 million. Total expenditures had a positive variance of $1,709,946, which was primarily due to an effort to decrease expenses.

Capital Asset and Debt Administration

Capital asset additions/deletions in the governmental activities net of depreciation and capital asset deletions for fiscal year 2008 decreased by $2,659,065. The increase in the business-type activities capital assets, net of depreciation and capital asset deletions was $3,042,660. The City's long-term debt decreased $2,062,520. Additional information regarding capital asset and debt activity can be found in Note 3 to the financial statements.

Future Debt Information

The Police Department has moved from the Police Station on Bourbon Street to rented space due to health concerns. There is money budgeted in the 2008-2009 fiscal year for designing a new building. If construction on a new building were needed in the next fiscal year, new debt would be issued.

Request for Information

Questions regarding this report should be directed to contact the Director of Finance at 100 Court Street, P.O. Box 677, Georgetown, Kentucky 40324. Financial Statements and additional information for Georgetown Municipal Water & Sewer Service can be requested from the Finance Director at P.O. Box 640, Georgetown, Kentucky 40324.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 2,476,379	$ 368,721	$ 2,845,100
Certificates of deposit	2,678,950	-	2,678,950
Accounts receivable:			
Taxes & licenses	21,991	-	21,991
Intergovernmental	1,934,108	61,336	1,995,444
Accrued interest	107,405	87,024	194,429
Other	838,658	68,888	907,546
Internal balances, net	2,494,408	(2,523,885)	(29,477)
Customers, net	44,362	949,149	993,511
Prepaid expenses	301,223	266,700	567,923
Restricted assets -			
Cash and cash equivalents	-	2,135,850	2,135,850
Certificates of deposit	-	1,492,354	1,492,354
Accrued interest receivable	-	4,418	4,418
Note receivable	68,645	2,794,319	2,862,964
Deferred cost of issuing debt	87,824	327,569	415,393
Nondepreciable capital assets	10,409,346	5,939,052	16,348,398
Depreciable capital assets	99,871,751	129,055,018	228,926,769
Accumulated depreciation	(32,938,668)	(44,955,709)	(77,894,377)
Total assets	88,396,382	96,070,804	184,467,186
Liabilities:			
Accounts payable	1,583,837	123,653	1,707,490
Contracts payable	-	238,997	238,997
Accrued payroll liabilities	438,496	127,243	565,739
Other accrued liabilities	-	440,275	440,275
Accrued interest payable	15,780	109,525	125,305
Customer deposits	342,562	171,180	513,742
Deferred revenue	1,155,166	-	1,155,166
Accrued compensated absences, current	83,394	3,630	87,024
Current portion of long-term debt	862,995	1,365,463	2,228,458
Accrued compensated absences, non-current	611,555	323,808	935,363
Bonds and notes payable, non-current	-	14,820,068	14,820,068
Capital lease obligations, non-current	11,572,004	-	11,572,004
Total liabilities	16,665,789	17,723,842	34,389,631
Net Assets:			
Invested in capital assets, net of related debt	64,907,430	73,852,830	138,760,260
Restricted	-	3,461,442	3,461,442
Unrestricted	6,823,163	1,032,690	7,855,853
Total net assets	$ 71,730,593	$ 78,346,962	$ 150,077,555

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 2,547,362	$ -	$ 193,029	$ -	$ (2,354,333)	$ -	$ (2,354,333)
Public safety:							
Police	4,586,542	19,123	685,072	-	(3,882,347)	-	(3,882,347)
Fire	5,073,764	-	227,924	-	(4,845,840)	-	(4,845,840)
Telecommunications	1,128,234	-	461,502	-	(666,732)	-	(666,732)
Public works:							
Streets and roads	2,121,721	-	567,010	-	(1,554,711)	-	(1,554,711)
Recycling	217,208	52,741	95,010	-	(69,457)	-	(69,457)
Beautification	249,739	-	-	-	(249,739)	-	(249,739)
Building inspection	641,788	216,258	252,309	-	(173,221)	-	(173,221)
Cardome	713,947	123,079	9,400	-	(581,468)	-	(581,468)
Cemetary	287,165	193,718	31,260	-	(62,187)	-	(62,187)
Community and economic development:							
Community development	3,764,313	-	817,043	61,070	(2,886,200)	-	(2,886,200)
Economic development	189,295	-	563,852	-	374,557	-	374,557
Infrastructure depreciation	1,788,916	-	-	-	(1,788,916)	-	(1,788,916)
Debt service	737,730	-	-	-	(737,730)	-	(737,730)
Total governmental activities	24,047,724	604,919	3,903,411	61,070	(19,478,324)	-	(19,478,324)
Business-Type Activities:							
Water & wastewater treatment plant #1	7,904,065	8,121,967	-	2,236,188	-	2,454,090	2,454,090
Wastewater treatment plant #2	1,886,881	1,198,313	-	177,811	-	(510,757)	(510,757)
Water and Wastewater treatment plant #3	162,050	142,839	-	-	-	(19,211)	(19,211)
Sanitation	1,373,886	874,680	-	-	-	(499,206)	(499,206)
Solid waste management	206,486	55,300	-	-	-	(151,186)	(151,186)
Total business-type activities	11,533,368	10,393,099	-	2,413,999	-	1,273,730	1,273,730
Total primary government	$ 35,581,092	$ 10,998,018	$ 3,903,411	$ 2,475,069	$ (19,478,324)	$ 1,273,730	$ (18,204,594)
		General Revenues:					
		Property and other local taxes			$ 1,440,842	$ -	$ 1,440,842
		Licenses, fees, and permits			15,906,374	-	15,906,374
		Fines and reimbursements			112,740	-	112,740
		Interest income			164,902	166,819	331,721
		Loss on sale of property			(704,611)	-	(704,611)
		Other revenues			354,281	-	354,281
		Total general revenues			17,274,528	166,819	17,441,347
		Transfers			(985,216)	1,002,826	17,610
		Total general revenues and transfers			16,289,312	1,169,645	17,458,957
		Change in net assets			(3,189,012)	2,443,375	(745,637)
		Net assets, June 30, 2007			74,919,605	75,903,587	150,823,192
		Net assets, June 30, 2008			$ 71,730,593	$ 78,346,962	$ 150,077,555

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Business Park Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 2,474,437	$ 1,925	$ 17	$ 2,476,379
Certificates of deposit	2,678,950	-	-	2,678,950
Receivables:				
Customer	-	-	54,362	54,362
Taxes and licenses	21,991	-	-	21,991
Intergovernmental	1,149,962	325,012	459,134	1,934,108
Accrued interest	107,405	-	-	107,405
Other	838,658	-	-	838,658
Due from other funds	1,890,513	36,259	724,344	2,651,116
Prepaid expenses	301,223	-	-	301,223
Total assets	$ 9,463,139	$ 363,196	$ 1,237,857	$ 11,064,192
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 637,251	$ 326,080	$ 431,635	$ 1,394,966
Accrued payroll liabilities	415,058	-	23,438	438,496
Due to other funds	-	-	156,708	156,708
Deferred revenue	1,112,168	-	42,998	1,155,166
Deposits	340,637	1,925	-	342,562
Compensated absences	78,098	-	5,296	83,394
Total liabilities	2,583,212	328,005	660,075	3,571,292
Fund Balances:				
Reserved	301,223	-	49,397	350,620
Unreserved	6,578,704	35,191	528,385	7,142,280
Total fund balances	6,879,927	35,191	577,782	7,492,900
Total liabilities and fund balances	$ 9,463,139	$ 363,196	$ 1,237,857	$ 11,064,192

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balance - total governmental funds	$ 7,492,900
Amounts reported for governmental activities in the statement of net assets are different because:	
Accounts receivable in governmental activities for the cemetary are fully recorded; however, these are reported at the net estimated value in the statement of net assets.	(10,000)
Accounts receivable in governmental activities under an agreement with the local gas company are due in future years based on outside customer usage.	68,645
Accounts payable in governmental activities under an agreement with the local water company are payable in future years based on outside customer usage.	(188,871)
Capital assets of $110,281,097 net of accumulated depreciation of $32,938,668 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	77,342,429
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Deferred cost of issuing debt	87,824
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital leases payable	(12,434,999)
Accrued interest payable	(15,780)
Compensated absences	(611,555)
Net assets, end of year - Governmental Activities	$ 71,730,593

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Business Park Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other local taxes	$ 1,440,842	$ -	$ -	$ 1,440,842
Licenses, fees, and permits	16,122,632	-	-	16,122,632
Fines and reimbursements	112,740	-	-	112,740
Intergovernmental	2,098,762	542,427	1,323,292	3,964,481
Interest income	147,415	-	17,487	164,902
Other income	207,369	198,131	7,387	412,887
Sales and services	-	-	263,130	263,130
Rental	26,000	-	46,280	72,280
Total revenues	20,155,760	740,558	1,657,576	22,553,894
Expenditures				
General government	2,195,882	-	-	2,195,882
Public works	1,154,295	-	875,975	2,030,270
Police	4,241,855	-	52,436	4,294,291
Fire	4,200,347	-	633,291	4,833,638
Recycling	202,389	-	-	202,389
Building inspection	633,634	-	-	633,634
Telecommunications	1,000,305	-	-	1,000,305
Beautification	235,892	-	-	235,892
Business Park	-	424	-	424
Community Development	3,760,987	-	3,326	3,764,313
Cemetary	-	-	273,340	273,340
Cardome	-	-	598,316	598,316
Debt service	939,176	395,028	-	1,334,204
Capital outlay	1,299,955	557,281	309,088	2,166,324
Total expenditures	19,864,717	952,733	2,745,772	23,563,222
Excess of Revenues Over (Under) Expenditures	291,043	(212,175)	(1,088,196)	(1,009,328)
Other Financing Sources (Uses)				
Debt proceeds	-	-	-	-
Sale of property	672,000	500,000	-	1,172,000
Transfers in	-	-	748,959	748,959
Transfers out	(1,734,175)	-	-	(1,734,175)
Total other financing sources (uses)	(1,062,175)	500,000	748,959	186,784
Net change in fund balances	(771,132)	287,825	(339,237)	(822,544)
Fund balances (deficit) beginning of year	7,651,059	(252,634)	917,019	8,315,444
Fund balances end of year	$ 6,879,927	$ 35,191	$ 577,782	$ 7,492,900

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	$ (822,544)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases capitalized	2,397,586
Depreciation expense	(3,180,040)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	580,539
Bond proceeds are recognized as other financing sources of current financial resources in the fund financial statement but are increases in liabilities in the statement of net assets.	-
Some revenues reported in the statement of activities are fully recorded; however, these are reported at the net estimated value in the statement of net assets.	(5,355)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(109,651)
Amortization of capital lease fees	(5,904)
Accrued interest payable	21,839
Accrued water usage fees payable	(188,871)
Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized	(1,876,611)
Change in net assets of governmental activities	$ (3,189,012)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

ASSETS	Water & Wastewater Treatment Plant No. 1	Wastewater Treatment Plant No. 2	Water & Wastewater Treatment Plant No. 3	Sanitation Fund	Solid Waste Management Fund	Totals
Unrestricted assets:						
Cash and cash equivalents	$ 368,721	$ -	$ -	$ -	$ -	$ 368,721
Accounts receivable:						
Intergovernmental	61,336	-	-	-	-	61,336
Customer accounts receivable, net	745,857	60,856	-	142,436	-	949,149
Other, net	33,865	-	-	-	35,023	68,888
Interfund receivable	1,587,709	-	-	-	-	1,587,709
Prepaid expenses	91,512	23,570	3,618	-	148,000	266,700
Total unrestricted assets	2,889,000	84,426	3,618	142,436	183,023	3,302,503
Restricted assets:						
Cash, cash equivalents and investments:						
Bond and interest reserve - cash	236,459	-	-	-	-	236,459
Bond and interest reserve - invesment	765,143	-	-	-	-	765,143
Note and interest reserve - investment	300,666	-	-	-	-	300,666
KIA loan reserve - cash	77,402	-	-	-	-	77,402
Depreciation reserve - cash	1,707,203	-	-	-	-	1,707,203
Depreciation reserve - investment	250,000	-	-	-	-	250,000
Customer deposits - cash	114,786	-	-	-	-	114,786
Customer deposits - investment	149,089	-	-	-	27,456	176,545
Accrued interest receivable	4,418	-	-	-	-	4,418
Total restricted assets	3,605,166	-	-	-	27,456	3,632,622
Total current assets	6,494,166	84,426	3,618	142,436	210,479	6,935,125
Capital assets:						
Land and easements	378,097	130,019	70,052	-	2,409,689	2,987,857
Buildings and improvements	1,999,730	3,917,804	-	-	-	5,917,534
Utility plants in service	98,514,267	17,743,979	2,046,312	-	-	118,304,558
Furniture, fixtures and equipment	982,278	783,412	-	-	-	1,765,690
Transportation and work equipment	1,166,499	204,810	1,692	1,694,235	-	3,067,236
Construction in progress	2,946,195	5,000	-	-	-	2,951,195
	105,987,066	22,785,024	2,118,056	1,694,235	2,409,689	134,994,070
Less: accumulated depreciation	(32,001,647)	(11,333,895)	(673,670)	(946,497)	-	(44,955,709)
Net capital assets	73,985,419	11,451,129	1,444,386	747,738	2,409,689	90,038,361
Other assets:						
Deferred costs of issuing debt	311,808	-	-	-	15,761	327,569
Interest receivable	-	-	-	-	87,024	87,024
Note receivable	-	-	-	-	2,794,319	2,794,319
Total other assets	311,808	-	-	-	2,897,104	3,208,912
Total assets	$ 80,791,393	$ 11,535,555	$ 1,448,004	$ 890,174	$ 5,517,272	$ 100,182,398

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2008

	Water & Wastewater Treatment Plant No. 1	Wastewater Treatment Plant No. 2	Water & Wastewater Treatment Plant No. 3	Sanitation Fund	Solid Waste Management Fund	Totals
LIABILITIES						
Current liabilities (payable from unrestricted assets):						
Accounts payable	$ 35,392	$ -	$ -	$ 78,202	$ 10,059	$ 123,653
Accrued payroll liabilities	91,061	21,465	2,482	12,235	-	127,243
Other accrued liabilities	275,328	11,733	-	71	5,143	292,275
Compensated absences	-	-	-	3,630	-	3,630
Interfund payable	-	1,546,548	41,161	692,027	1,831,858	4,111,594
Accrued landfill closure and postclosure care	-	-	-	-	148,000	148,000
Contracts payable	220,307	-	-	-	18,690	238,997
Total current liabilities (payable from unrestricted assets)	622,088	1,579,746	43,643	786,165	2,013,750	5,045,392
Current liabilities (payable from restricted assets):						
Current portion of long-term debt	1,030,463	-	10,000	-	325,000	1,365,463
Customer deposits	171,180	-	-	-	-	171,180
Accrued interest payable	109,525	-	-	-	-	109,525
Total current liabilities (payable from restricted assets)	1,311,168	-	10,000	-	325,000	1,646,168
Long-term liabilities:						
Compensated absences	244,813	52,372	-	26,623	-	323,808
Long-term debt, net of current portion	13,980,901	-	44,167	-	795,000	14,820,068
Total long-term liabilities	14,225,714	52,372	44,167	26,623	795,000	15,143,876
Total liabilities	16,158,970	1,632,118	97,810	812,788	3,133,750	21,835,436
NET ASSETS						
Invested in capital assets, net of related debt	58,974,055	11,451,129	1,390,219	747,738	1,289,689	73,852,830
Restricted	3,433,986	-	-	-	27,456	3,461,442
Unrestricted	2,224,382	(1,547,692)	(40,025)	(670,352)	1,066,377	1,032,690
Total net assets	$ 64,632,423	$ 9,903,437	$ 1,350,194	$ 77,386	$ 2,383,522	$ 78,346,962

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Water & Wastewater Treatment Plant No. 1	Wastewater Treatment Plant No. 2	Water & Wastewater Treatment Plant No. 3	Sanitation Fund	Solid Waste Management Fund	Totals
OPERATING REVENUES						
Water revenue	$ 3,715,386	$ -	$ 73,309	$ -	$ -	$ 3,788,695
Sewer revenue	3,028,385	252,754	66,157	-	-	3,347,296
Sanitation fees	-	-	-	855,292	-	855,292
Connection fees	1,018,600	-	-	-	-	1,018,600
Commercial user fees	-	944,865	-	-	-	944,865
Miscellaneous	272,284	694	3,373	19,388	55,300	351,039
Penalties	87,312	-	-	-	-	87,312
Total operating revenues	8,121,967	1,198,313	142,839	874,680	55,300	10,393,099
OPERATING EXPENSES						
Depreciation	2,796,424	668,367	46,166	149,458	-	3,660,415
Salaries and wages	1,821,255	439,441	25,578	481,446	-	2,767,720
Employee benefits	840,675	174,306	4,678	301,683	-	1,321,342
Purchased water	261,065	-	-	-	-	261,065
Utilities	365,581	118,331	15,572	13,494	2,269	515,247
Supplies	368,181	299,011	7,030	97,547	-	771,769
Maintenance and repairs	288,734	84,727	34,124	56,742	-	464,327
Insurance	200,959	47,001	9,613	2,743	-	260,316
Professional services	199,408	49,799	15,673	6,703	79,965	351,548
Conferences, training, and meetings	61,081	4,965	736	-	-	66,782
Miscellaneous	43,519	933	236	561	-	45,249
Landfill services	-	-	-	263,509	30,273	293,782
Public works	-	-	-	-	31,326	31,326
Herbie Curbie expenses	-	-	-	-		
Wellhead protection	4,711	-	-	-	-	4,711
Total operating expenses	7,251,593	1,886,881	159,406	1,373,886	143,833	10,815,599
OPERATING INCOME (LOSS)	870,374	(688,568)	(16,567)	(499,206)	(88,533)	(422,500)
NON-OPERATING REVENUES (EXPENSES)						
Contributed assets	2,236,188	177,811	-	-	-	2,413,999
Loss on disposal of asset	-	-	-	-	-	-
Interest income	111,784	-	-	-	55,035	166,819
Grant income	-	-	-	-	-	-
Interest expense	(615,523)	-	(2,644)	-	(57,541)	(675,708)
Amortization of bond discount	(36,949)	-	-	-	(5,112)	(42,061)
Total non-operating revenues (expenses)	1,695,500	177,811	(2,644)	-	(7,618)	1,863,049
INCOME (LOSS) BEFORE TRANSFERS	2,565,874	(510,757)	(19,211)	(499,206)	(96,151)	1,440,549
Transfers in (out)	-	-	-	688,587	314,239	1,002,826
INCREASE (DECREASE) IN NET ASSETS	2,565,874	(510,757)	(19,211)	189,381	218,088	2,443,375
NET ASSETS, JUNE 30, 2007	62,066,549	10,414,194	1,369,405	(111,995)	2,165,434	75,903,587
NET ASSETS, JUNE 30, 2008	$ 64,632,423	$ 9,903,437	$ 1,350,194	$ 77,386	$ 2,383,522	$ 78,346,962

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Water & Wastewater Treatment Plant No. 1	Wastewater Treatment Plant No. 2	Water & Wastewater Treatment Plant No. 3	Sanitation Fund	Solid Waste Management Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 8,050,877	$ 1,432,713	$ 139,466	$ 868,287	$ 50,234	$ 10,541,577
Cash payments to suppliers for goods and services	(1,907,934)	(835,202)	(47,122)	(534,435)	(138,767)	(3,463,460)
Cash payments to employees	(2,632,639)	(598,206)	(28,726)	(740,736)	-	(4,000,307)
Other operating revenues	272,284	694	3,373	-	-	276,351
Net cash provided by (used for) operating activities	3,782,588	(1)	66,991	(406,884)	(88,533)	3,354,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	-	-	688,587	314,239	1,002,826
Net cash provided by (used for) capital and related financing activities	-	-	-	688,587	314,239	1,002,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(4,128,294)	(177,810)	(58,931)	(281,703)	-	(4,646,738)
Principal paid on long-term debt	(1,216,470)	-	(5,416)	-	(320,000)	(1,541,886)
Interest paid on long-term debt	(656,295)	-	(2,644)	-	(57,541)	(716,480)
Capital contributions	156,716	177,811	-	-	-	334,527
Net cash provided by (used for) capital and related financing activities	(5,844,343)	1	(66,991)	(281,703)	(377,541)	(6,570,577)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	104,159	-	-	-	151,835	255,994
Net cash provided by investing activities	104,159	-	-	-	151,835	255,994
Net increase (decrease) in cash and cash equivalents	(1,957,596)	-	-	-	-	(1,957,596)
Cash and cash equivalents, June 30, 2007	4,462,167	-	-	-	27,456	4,489,623
Cash and cash equivalents, June 30, 2008	$ 2,504,571	$ -	$ -	$ -	$ 27,456	$ 2,532,027
Cash and Cash Equivalents Reported As:						
Unrestricted	$ 368,721	$ -	$ -	$ -	$ -	$ 368,721
Restricted	2,135,850	-	-	-	27,456	2,163,306
	$ 2,504,571	$ -	$ -	$ -	$ 27,456	$ 2,532,027
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	$ 870,374	$ (688,568)	$ (16,567)	$ (499,206)	$ (88,533)	$ (422,500)
Adjustments:						
Depreciation and amortization	2,796,424	668,367	46,166	149,458	-	3,660,415
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	188,634	235,094	-	(6,393)	(5,066)	412,269
(Increase) decrease in prepaid expenses	41,557	(2,270)	1,167	-	(148,000)	(107,546)
Increase (decrease) in accounts payable	(98,188)	(216,745)	34,695	(92,719)	(5,021)	(377,978)
Increase (decrease) in accrued wages	8,800	5,284	1,530	(297)	-	15,317
Increase (decrease) in interfund payable	-	-	-	42,690	10,087	52,777
Increase (decrease) in other accrued liabilities	(37,573)	(1,163)	-	(417)	148,000	108,847
Increase in customer deposits	12,560	-	-	-	-	12,560
Net cash provided by (used for) operating activities	$ 3,782,588	$ (1)	$ 66,991	$ (406,884)	$ (88,533)	$ 3,354,161
Noncash capital and related financing activities:						
Capital assets contributed	$ 2,079,472	$ -	$ -	$ -	$ -	$ 2,079,472
Contracts payable for capital items (net)	4,135	-	-	-	-	4,135
Deferred costs of issuing debt and bond discount	-	-	-	-	5,112	5,112
Amortization of bond cost included with bonds payable	12,647	-	-	-	-	12,647
Net noncash capital and related financing activities	$ 2,096,254	$ -	$ -	$ -	$ 5,112	$ 2,101,366

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

ASSETS		
Cash and cash equivalents	$	207,893
Due from other funds		29,477
Accrued interest		1,239
Investments		289,990
Total assets		528,599
NET ASSETS HELD IN TRUST	$	528,599

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues:	
Perpetual care	$ 25,224
Non-operating Revenues (Expenses):	
Investment income (loss), net	(3,020)
Income before other financing sources (uses)	22,204
Other Financing Sources (Uses):	
Transfer to other funds	(17,610)
Net Increase	4,594
NET ASSETS HELD IN TRUST:	
Beginning of year	524,005
End of year	$ 528,599

The accompanying notes to finanical statements
are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Georgetown, Kentucky (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

a. Reporting Entity

The City operates under a City Council government comprised of the Mayor and eight council members. The financial statements of the City include the funds, agencies, boards and entities for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards,* as amended by GASB Statement No. 14, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Included within the reporting entity is the Georgetown Municipal Water and Sewer Service (GMWSS). This organization's activities have been blended with the City's financial statements because the City:

- Approves all contracts for the purchase of materials, supplies, and equipment which exceed $20,000;
- Issues all debt instruments required for capital construction or maintenance purposes;
- Approves changes in the rate schedule.
- Appoints the Board of Directors.

A copy of the GMWSS financial statements may be obtained from the finance director of the City of Georgetown.

In addition, the City has created the Business Park Development Authority. This organization's activities have been blended with the City's financial statements because the City:

- Approves all expenditures,
- Issues all debt instruments required for capital construction, and
- Appoints the Board of Directors.

Certain organizations have been excluded from the City's financial statements in accordance with "The 2008 Codification" criteria. The agencies listed below have been excluded because:

- Appointments to these agencies by elected officials are not authoritative,
- The City does not designate management personnel,
- The City does not have the ability to significantly influence operations, and
- Responsibility of the Agency's fiscal condition is outside the direct oversight of the City, and management has determined that there is not a significant degree of financial interdependency for these agencies. These organizations maintain their own accounting records, have separate management and prepare their own financial statements.

The entities not included in these financial statements are:

- Georgetown-Scott County Parks and Recreation Board
- Georgetown-Scott County Planning Commission
- Georgetown-Scott County Ambulance Service
- Georgetown-Scott County Tourism and Convention Commission
- Georgetown Housing Authority
- Georgetown Municipal Airport
- Georgetown-Scott County Revenue Commission, Inc.

b. Basis of Presentation, Fund Accounting

Government-Wide Financial Statements. The statement of net assets and statement of activities display information about the City as a whole. These statements include all funds of the City, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for a certain purpose. The City has the following Special Revenue Funds:

1. The **Municipal Aid Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road expenditures.
2. The **Local Government Economic Assistance Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 42.455 to improve the environment for new industry and to improve the quality of life for the residents.
3. The **Gus Wolf Fund** accounts for receipts and disbursements related to providing donations to needy families in Georgetown.
4. The **Drug Forfeiture Fund** accounts for funds received from federal courts related to property seized in drug crimes. These funds are to be used to investigate and prevent

further drug related crimes.

5. The **Cemetery Fund** accounts for the proceeds of lot sales and expenditures associated with the operation of the Georgetown Cemetery.
6. The **Main Street Fund** accounts for grant funds related to Main Street improvements.
7. The **Cardome Fund** accounts for the proceeds and expenditures of operating a historical facility within the City, which is used for various community activities.
8. The **Public Safety Fund** accounts for grants from federal and state agencies, which are designated for public safety salaries and equipment.
9. The **Special Projects Fund** accounts for the receipt and disbursement of resources used in acquisition and construction of capital facilities (other than those financed by proprietary funds).
10. The **Business Park Fund** accounts for the receipts and disbursements of resources used in acquisition of land and construction of infrastructure to develop a business park, which will enable new businesses to locate in the City.

Proprietary Fund

Proprietary Fund. Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Proprietary Funds:

1. The **Water and Wastewater Treatment Plant #1** consists of a water filtration plant and distribution system and a sewage treatment plant. This plant services the City's residents and businesses.
2. The **Wastewater Treatment Plant #2** provides sanitary sewer service to a local manufacturing concern with a small portion of its capacity reserved for residential and commercial users.
3. The **Water and Wastewater Treatment Plant #3** provides water distribution and sanitary sewer service to the City of Stamping Ground, Kentucky.
4. The **Sanitation Fund** accounts for the activities associated with garbage collections from City residents and businesses.
5. The **Solid Waste Management Fund** accounts for the sale of the City's landfill and the cost associated with closing two landfills are also recorded in this fund. One landfill was closed as of June 30, 2008.

Fiduciary Funds (not included in Government-Wide Statements)

Trust Funds. Trust funds were established to account for assets held by the City in a trustee capacity for the City of Georgetown Cemetery. The trust fund provides earnings from invested funds for the upkeep of the Cemetery.

Major and Non Major Funds. The funds are further classified as major or non major as follows:

Fund	Fund Type	Major/Non Major
General Fund	Governmental	Major
Municipal Aid Fund	Special Revenue	Non Major
Local Government Economic Assistance Fund	Special Revenue	Non Major
Gus Wolf Fund	Special Revenue	Non Major
Drug Forfeiture Fund	Special Revenue	Non Major
Cemetery Fund	Special Revenue	Non Major
Main Street Fund	Special Revenue	Non Major
Cardome Fund	Special Revenue	Non Major
Public Safety Fund	Special Revenue	Non Major
Special Projects Fund	Special Revenue	Non Major
Business Park Fund	Special Revenue	Major
Water and Wastewater Treatment Plant # 1	Proprietary	Major

Wastewater Treatment Plant #2	Proprietary	Major
Water and Wastewater Treatment Plant #3	Proprietary	Major
Sanitation Fund	Proprietary	Major
Solid Waste Management Fund	Proprietary	Major

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. The proprietary funds have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

Estimates and Assumptions. The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

d. Assets, Liabilities, and Net Assets

Assets

Cash and Investments. The City adopted written policies and procedures for cash and investment management that designate the Mayor and City Clerk be responsible for these duties. The primary objective of the investment policy is to maintain the safety of the investment and to maintain funds in accounts, which will enable the City to meet all reasonably anticipated operating requirements.

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less.

Investments are carried at fair value, except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, licenses, fees, and permits, interest earnings, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting, in the same manner as non-exchange transactions. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable of $63,888 are based upon historical trends and the periodic aging of accounts receivable.

Notes Receivable. The City has entered into an agreement to sell its landfill to a private company. The company has issued the City a ten-year note for the purchase price of the landfill. In addition, the City entered into a 7-year agreement with the local natural gas company to assist in the construction of a pipeline to the business park. The City deposited funds with the gas company, which is to be refunded to the City over a 7-year period based on the volume of gas sold to customers' benefiting from the pipeline.

Inventories. Purchases of supplies in the General Fund are recorded as expenditures at the time they are purchased and are not inventoried. Purchases of supplies in the Proprietary Funds are generally purchased as needed and are not recorded as inventory. This departure from GAAP is not considered material to the financial statements.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated property, which is recorded at the estimated fair value at the date of donation. Expenditures for items having a useful life greater than one year and having a cost greater than $5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially

extend asset lives are not capitalized.

Depreciation of all exhaustible property is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the asset's estimated useful lives, using the straight-line method of depreciation.

In the proprietary fund type, expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives using the straight-line method.

In the fund financial statements, property used in governmental fund operations is accounted for as capital outlay expenditures of the governmental fund upon acquisition. Property used in proprietary fund operations is accounted for the same as in the government-wide statements.

The estimated useful lives are as follows:

Buildings	15-40 years
Infrastructure	20-50 years
Improvements	15-40 years
Utility plant	15-40 years
Vehicles	5-10 years
Furniture & Equipment	7-10 years

Construction in progress represents construction projects for fixed assets that have not yet been placed in service. Interest expense related to these projects has not been capitalized; however, this is not considered a material departure from generally accepted accounting principles.

In accordance with GASB Statement No. 34, the City has reported its infrastructure assets purchased prior to fiscal year 2004 in the entity-wide financial statements as a prior period adjustment. See Note 14.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, as required by bond indentures, are classified as restricted assets on the Statement of Net Assets. Some expenditures of the City may be paid with restricted and non-restricted resources, and the City has determined that when both resources are available that they will use the restricted resources first.

Bond Issuance Cost. The accounting treatment for bond issuance cost depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements bond issuance cost are recorded as an asset and amortized over the life of the bond issue. Within the governmental fund financial statements, bond issuance cost is accounted for as an expenditure when the bonds are issued. Within the proprietary fund, bond issuance cost is accounted for in the same manner as in the government-wide financial statements.

Long-Term Liabilities. The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds and notes, capital lease obligations, landfill closure and post-closure care liabilities, and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Equity Classifications. Government-wide financial statements classify equity as net assets and is displayed in three components:

1. *Invested in capital assets, net of related debt* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net assets* consists of net assets with constraints placed on the use either by:
   a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
   b. Law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in government-wide statements.

e. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1.0% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance License Fee. The City levies an insurance license fee of 5% on all insurance sold within the City limits. Insurance companies are required to collect this fee from policy holders and to remit this fee quarterly. The insurance license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee on net profits of all companies, who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with State laws. All real and personal property was taxed at $0.049 and $0.1188, respectively, per $100 of assessed value for the year ended June 30, 2008. Motor vehicles were taxed at $0.168 per $100 of assessed value. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Operating Revenues and Expenses. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Water and sewer revenues have been secured by the revenue bonds, which have been issued to construct and make improvements to the utility plants in service.

Non Operating Revenues and Expenses. Governmental funds report all revenues and expenses as operating, except loan proceeds and transfers to other funds. Proprietary funds report all revenue and expenses as operating, except interest income, amortization, landfill closure costs, and capital contributions.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds as operating and non-operating.

In the fund financial statements, Governmental Funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers. Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

(2) PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Assessed values are established by State Law at 100% of fair value.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility taxes are not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year.

The 2008 assessed value for real property was $1,755,027,033. Assessed value of tangible property was $86,107,314. Assessed value of motor vehicles was $153,495,417. The tax rate on real property adopted was $.049 per $100 valuation. The tax rate on tangible property adopted was $.1188 per $100 valuation. The tax rate on motor vehicles adopted was $.168 per $100 valuation.

Property taxes for fiscal year 2008 were levied on November 1, 2007 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Due date for payment of taxes	Upon receipt
Face value amount payment dates	to January 15, 2008
Delinquent date, 15% penalty	January 16, 2008

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

Cash and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's funds on deposit with the banks may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires bank balances to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be

fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2008, the City had $11,267,909 in financial institutions, of which $1,323,409 was insured, and $9,944,500 was collateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 50% of the total investment portfolio shall be invested in a single security type of a single financial institution.

The City's investments at June 30, 2008 are as follows:

Type of Investments	Fair Value	Cost	Interest Rate	Maturity Date
Governmental activities:				
Kentucky Bank:				
Certificate of deposit	$ 100,000	$ 100,000	3.578%	5/5/09
Certificate of deposit	564,782	564,782	5.35	8/3/09
Whitaker Bank:				
Certificate of deposit	323,467	323,467	5.10	10/31/08
Town & Country Bank:				
Certificate of deposit	565,127	565,127	4.01	8/11/09
Central Bank:				
Certificate of deposit	1,125,574	1,125,574	5.47	7/28/08
	$ 2,678,950	$ 2,678,950		
Business-type activities:				
Farmers Bank:				
Certificate of deposit	$ 300,666	$ 300,666	5.60%	8/1/2008
Certificate of deposit	250,000	250,000	3.40	3/26/2010
Certificate of deposit	149,089	149,089	5.60	8/1/2008
Certificate of deposit	117,032	117,032	3.25	4/11/2010
Certificate of deposit	27,456	27,456	4.18	9/8/2008
Whitaker Bank:				
Certificate of deposit	483,111	483,111	5.75	11/14/2008
Town & Country Bank:				
Certificate of deposit	165,000	165,000	3.33	5/5/2010
	$ 1,492,354	$ 1,492,354		

Interfund Receivables/Payables

Interfund receivables and payable balances at June 30, 2008 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities		
Major Funds:		
General fund	$ 1,890,513	$ -
Business park fund	36,259	-
	1,926,772	-

Non Major Funds:		
Municipal aid fund	506,449	-
Local government economic assistance fund	63,936	-
Gus wolf fund	5,589	-
Drug forfeiture fund	79,612	-
Cemetery fund	-	18,370
Main Street Fund	-	916
Cardome fund	22,676	-
Public safety fund	-	137,422
Special Projects Fund	46,082	-
	724,344	156,708
Total governmental activities	2,651,116	156,708
Fiduciary activities:		
Cemetery trust fund	29,477	-
Total fiduciary activities	29,477	-
Business-type activities		
Water & Wastewater Treatment Plant No. 1	1,587,709	-
Water & Wastewater Treatment Plant No. 2	-	1,546,548
Water & Wastewater Treatment Plant No. 3	-	41,161
Sanitation fund	-	692,027
Solid waste management fund	-	1,831,858
Total business-type activities	1,587,709	4,111,594
Total intercompany receivables/payables	$ 4,268,302	$ 4,268,302

The City generally maintains one checking account for which all receipts are deposited and disbursements are made. Any deposits or disbursements for funds other than the general fund are processed through the interfund receivable/payable accounts. Other interfund receivable/payable amounts occurred as follows:

- Amounts due from the Business Park Fund resulted from expenditures for infrastructure. These costs are expected to be repaid from future capital lease proceeds.
- Amounts due from the Cemetery Fund represents advances to that fund from the general fund to offset amounts due from cemetery lot sales, which have not been collected.
- Amounts due from the Solid Waste Management Fund represents amounts due to the General Fund as a result of purchases of land in prior years.
- Amounts due from the Public Safety Fund and Special Projects Fund represent expenditures for grant programs, which have not been reimbursed by the grantor.

Note Receivable

During fiscal 2000, the City sold the Landfill property for $5,800,000 with 25% of the sales proceeds allocated to the Scott County fiscal Court for their interest in the property. Under the sales agreement ("Agreement"), the City is to receive from the Company that acquired the Landfill a total of $4,350,000 over a 10-year period without interest. In the Agreement, the Company is obligated to make payments against the note balance annually based on $2.00 per ton of solid waste dumped at the Landfill. The current estimate is that the Landfill will accept 200 tons of solid waste per day. If at the end of the ten-year period the City has not received $4,350,000 in payments, the remaining balance will be due and payable at that time. The City

recorded the sales price of the Landfill as a receivable in the Solid Waste Management Fund discounted at a rate of 5%. The carrying value of this receivable at June 30, 2008 was $2,794,319.

The City has also entered into a 7-year agreement with the local gas company to assist in the construction of a pipeline to the business park. The City deposited $184,724 in 2005 with the gas company. The deposit is to be refunded to the City based on the volume of gas sold to customers benefiting from the pipeline. Management has estimated at June 30, 2008 that the City will recover $74,000 under this agreement.

Capital Assets

The activity related to capital assets for the fiscal year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Land and easements	$ 11,792,993	$ -	$ (1,383,647)	$ 10,409,346
Buildings and improvements	28,000,399	1,021,603	(481,335)	28,540,667
Transportation and work equipment	9,395,022	296,299	(232,756)	9,458,565
Infrastructure	60,792,835	1,079,684	-	61,872,519
	109,981,249	2,397,586	(2,097,738)	110,281,097
Accumulated depreciation:				
Buildings and improvements	4,971,983	624,628	(43,320)	5,553,291
Infrastructure	19,566,637	1,788,917	-	21,355,554
Transportation and work equipment	5,441,135	766,495	(177,807)	6,029,823
	29,979,755	3,180,040	(221,127)	32,938,668
	$ 80,001,494	$ (782,454)	$ (1,876,611)	$ 77,342,429

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type Activities:				
Land and easements	$ 2,986,166	$ 1,691	$ -	$ 2,987,857
Buildings and improvements	5,871,164	46,370	-	5,917,534
Utility plants in service	113,004,065	5,300,493	-	118,304,558
Furniture, fixtures and equipment	1,827,945	245,909	(26,472)	2,047,382
Transportation and work equipment	2,641,190	164,095	(19,741)	2,785,544
Construction in progress	2,006,689	944,506	-	2,951,195
	128,337,219	6,703,064	(46,213)	134,994,070
Accumulated depreciation	(41,341,518)	(3,660,404)	(46,213)	(44,955,709)
	$ 86,995,701	$ 3,042,660	$ -	$ 90,038,361

Depreciation expense was charged to governmental activities as follows:

General government		$ 445,653
Public Safety:		
Police	$ 319,689	
Fire	240,126	
Telecommunications	127,929	687,744
Public Works:		
Streets and roads	91,451	
Recycling	14,819	
Beautification	13,847	120,117

Cardome	115,631
Cemetery	13,825
Building inspection	8,154
Infrastructure	1,788,916
	$ 3,180,040

Lease Obligation

The City has entered into agreements to construct buildings, develop an industrial park, and purchase vehicles and equipment through capital leases. Title to the assets is held by the lessor until such time as the lease has been paid in full. At that time, title is transferred to the City. The lease agreements may be cancelled by the City at the end of any fiscal year upon written notice to the lessor. The following is a schedule of property and equipment and outstanding liabilities relating to capital lease agreements at June 30, 2008:

Governmental Funds				Lease Payable		
Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Current Portion	Long-Term Portion	Total
Police station	$ 1,000,000	$ 246,667	$ 753,333	$ 36,673	$ 249,702	$ 286,375
Fire station #3	585,000	171,113	413,887	21,759	148,157	169,916
Indoor facility	9,376,432	1,404,213	7,972,219	349,047	2,376,604	2,725,651
Industrial Park dev.	6,733,907	-	6,733,907	182,533	3,281,709	3,464,242
Fire station #1/EMS	2,669,720	211,217	2,458,503	125,152	2,050,065	2,175,217
Business Park Phase II	2,325,036	-	2,325,036	40,940	951,401	992,341
Aquatics Center	4,276,931	186,464	4,090,467	106,891	2,514,366	2,621,257
	$ 26,967,026	$ 2,219,674	$ 24,747,352	$ 862,995	$ 11,572,004	$ 12,434,999

Business Activity Funds				Lease Payable		
Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Current Portion	Long-Term Portion	Total
Briar Hill Property	$ 2,409,689	$ -	$ 2,409,689	$ 325,000	$ 795,000	$ 1,120,000

Long-Term Debt

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities:

Government Activities. As of June 30, 2008, the governmental long-term debt consisted of the following:

Capital Leases

20-year capital lease for the construction and installation of public roads, electric utility lines, telephone lines, cable television lines, water lines, gas lines, and sanitary sewer lines at the Georgetown Business Park Phase II. Interest is based on a variable rate. The lease expires December 2025 at which time title to the leasehold improvements be transferred to the City.	$ 992,341
20-year capital lease for the construction of a swimming pool and aquatics center. The lease bears interest at 3.0%. The lease expires January 2026, at which time the title to the swimming pool and aquatic center is transferred to the City.	2,621,257
15-year capital lease for the refinancing of notes	

associated with the construction of the police station, fire station, and indoor recreational facility. Interest is based on a variable rate. The lease expires 2015 at which time the title to the properties is transferred to the City.	3,181,942
20-year capital lease for the construction of a fire station and the purchase of the property known as the Bradshaw property. The interest rate is based on a variable rate. The lease expires September 2023 at which time title to these properties will be transferred to the City.	2,175,217
20-year capital lease for the construction and installation of public roads, electric utility lines, telephone lines, cable television lines, water lines, gas lines, and sanitary sewer lines at the Georgetown Business Park. Interest is based on a variable rate. The lease expires April 2023 at which time title to the leasehold improvements will be transferred to the City.	3,464,242
Total governmental activity debt	$ 12,434,999

	Capitalized Leases	Total
Current portion	$ 862,995	$ 862,995
Long-term portion	11,572,004	11,572,004
	$ 12,434,999	$ 12,434,999

Business-Type Activities. As of June 30, 2008, the proprietary fund long-term debt consisted of the following:

	Original Issue	Interest Rates	Final Maturity	Outstanding Principal
Revenue bonds:				
Water and Sewer, Series 2003	$ 4,785,000	2.00-4.125%	2023	$ 4,885,000
Water and Sewer, Series 2003B Refunding	3,935,000	2.00-3.50%	2014	2,190,000
Water and Sewer, Series 2008A	7,161,000	4.0-4.375%	2027	6,819,667
Deferred cost of refunding				(72,723)
Total revenue bonds				12,821,944
Notes payable:				
Kentucky Infrastructure Authority, Series 2004	85,000	2.25-5.25%	2014	54,167
Kentucky Infrastructure Authority Subordinated Note, Series 1993	6,119,704	4.00%	2014	2,189,420
Total notes payable				2,243,587
Capital lease obligation	3,055,000	varies	2011	1,120,000
Compensated absences				327,438
Total obligations				16,512,969
Less current portion of:				
Revenue bonds				667,020
Notes payable				373,443
Capital lease obligation				325,000
Compensated absences				3,630
				1,369,093

Total long-term obligations	$ 15,143,876

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount due Within One Year
Governmental activities:					
Capitalized leases	$ 13,224,923	$ -	$ 789,924	$ 12,434,999	$ 862,995
Compensated absences	570,346	124,603	-	694,949	83,394
	13,795,269	124,603	789,924	13,129,949	946,389
Business-type activities:					
Revenue bonds	13,689,085	-	867,141	12,821,944	667,020
Notes payable	2,598,332	-	354,745	2,243,587	373,443
Capital lease	1,440,000	-	320,000	1,120,000	325,000
Compensated absences	296,981	30,457	-	327,438	3,630
Landfill closure and Postclosure care cost	33,770	114,230	-	148,000	148,000
	18,058,168	144,687	1,541,886	16,660,969	1,517,093
	$ 31,853,437	$ 269,290	$ 2,331,810	$ 29,790,918	$ 2,463,482

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for bonds, notes and capital leases as of June 30, 2008 are as follows:

Governmental Activities:

Fiscal Year	Interest	Principal	Total
2009	$ 378,709	$ 862,995	$ 1,241,704
2010	353,223	888,708	1,241,931
2011	325,413	915,384	1,240,797
2012	297,239	942,717	1,239,956
2013	267,075	971,309	1,238,384
2014 - 2018	929,735	3,814,352	4,744,087
2019 – 2023	424,003	3,300,163	3,724,166
2024 - 2026	41,552	739,371	780,923
	$ 3,016,949	$ 12,434,999	$ 15,451,948

Business Activities:

Fiscal Year	Interest	Principal	Total
2009	$ 638,179	$ 1,365,463	$ 2,003,642
2010	581,595	1,533,479	2,115,074
2011	520,914	1,588,755	2,109,669
2012	460,266	1,365,648	1,825,914
2013	410,733	1,324,184	1,734,917
2014 - 2018	1,507,769	3,531,002	5,038,771
2019 - 2023	860,268	3,546,000	4,406,268
2024 - 2026	213,938	1,931,000	2,144,938
	$ 5,193,662	$ 16,185,531	$ 21,379,193

Description of Bonds and Notes Payable. The Water and Sewer Revenue Bonds, Series of 1973, 2003A, and 2003B are secured by a pledge of a fixed portion of the gross income and revenues of the water and sewer system other than from Wastewater Treatment Plant No. 2. The

bonds are subject to redemption prior to maturity at various times, along with a call premium, *as* more fully described in the ordinance.

The Water and Sewer Revenue Subordinated Note, Series of 2000, and the Kentucky Infrastructure Authority Subordinated Note, Series of 1993, are secured by a second lien on the water and sewer system gross income and revenues, other than from Wastewater Treatment Plant No. 2. The notes are subordinated to the revenue bonds.

The bond and note ordinances require that certain reserves be maintained as follows:

Bond and Interest Reserve. This reserve includes the sinking fund payments as required by the Revenue Bond ordinance, plus a Sinking Fund Reserve equal to the maximum annual debt service required on all revenue bonds outstanding of Water and Wastewater Treatment Plant No. 1 and approximated $1,109,000 at June 30, 2008. This reserve was fully funded at June 30, 2008.

Depreciation Reserve. All excess cash flow generated each month over and above that required for three month's operating expenses and sinking fund requirements, or $5,000 per month, whichever is greater, are to be deposited into this reserve for use in financing contingencies or for the retirement of revenue bonds. The reserve has been funded as required.

Note and Interest Reserve. This reserve receives sinking fund payments to meet semi-annual debt service requirements on the subordinated note issued to finance the renovation and expansion of Wastewater Treatment Plant No. 1. The required balance of $300,645 was fully funded at June 30, 2008.

KIA Loan Reserve. This reserve receives the sinking fund payments to meet the semi-annual debt service requirements on the subordinated note issued to finance the renovation and expansion of Wastewater Treatment Plant No. 1. The reserve has been funded as required.

Construction Fund. Proceeds of the line of credit were placed into the construction reserve and are to be used for water line upgrades, wastewater treatment plant No. 1 improvements, and water treatment plant improvements.

Conduit Debt

Revenue Bonds and Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2008 for Revenue Bonds and for Industrial Revenue Bonds is not available.

Transfers

The following operating transfers were made during the year:

	Transfers In	Transfers Out
Governmental Activities:		
Major Funds:		
General Fund	$ -	$ 1,734,175
	-	1,734,175
Non-Major Funds:		
Cemetery fund	48,879	-
Cardome fund	465,431	-
Public safety fund	234,649	-
	748,959	-
Fiduciary Activities:		

Cemetery Trust Fund	-	17,610
	-	17,610
Business-Type Activities:		
Major Funds:		
Sanitation	688,587	-
Solid Waste Management	314,239	-
	1,002,826	-
	$ 1,751,785	$ 1,751,785

The transfers to/from the general fund were made for the following purposes:

1. The transfer to the Cemetery Fund was made to provide operating funds for the cemetery. In accordance with an interlocal agreement with Scott County Fiscal Court, the City and County are to split the cost of operating the cemetery 50/50 net of any income the cemetery may receive.
2. The transfer to the Business Park Fund was made to cover debt service while the sale of land is in process.
3. The transfer to the Cardome Fund was made to provide operating funds for the Cardome Facility.
4. The transfer to the Public Safety Fund was made to meet the City's matching requirements related to a Federal grant.
5. The transfer from the Cemetery Trust Fund was made to record earnings from perpetual care accounts into the Cemetery Fund to help meet operating expenses of the Cemetery.
6. The transfer to the Solid Waste Management Fund was made to cover landfill costs.

(4) PENSION PLAN

Full time employees of the City participate in the Kentucky Retirement System Statewide County Employees' Retirement System ("System"), a cost sharing multiple-employer public employee retirement system. The payroll for City employees covered by the System for the year ended June 30, 2008 was $10,255,581. The City's total payroll was $10,356,728.

Retirement dates and benefits are established by state statute as follows:

Normal Retirement Date. A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions or attaining age 55 for hazardous positions and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

Early Retirement Date. A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits. For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 2.20% of the member's final compensation multiplied by their service will be payable. For hazardous positions, a monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits. A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, an unreduced benefit is payable.

Other Benefits. In addition to the normal and early retirement benefits provided by the system, disability, death, and medical insurance benefits are available.

Under the Kentucky Revised Statute Section 61.563(3) covered non-hazardous compensated employees are required by state statute to contribute 5.0% of their creditable compensation to the plan. Members occupying hazardous positions, as defined by statute, contribute at the rate of 8.0% of creditable compensation. Employer contribution rates are required to provide 3year amortization of the unfunded actuarial accrued liability under the level-percentage-of-payroll-method, the employer share of the annual normal cost, medical insurance, and the administrative cost of the system. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. For non-hazardous compensated employees, the contribution rate is 16.17%. For hazardous compensated employees, the rate is 33.87%.

Schedule of Contributions

Made	Required Employee Contribution	Required Employer Contribution	Required Total Contribution	Percentage of Required Contribution Actually
2008	$ 648,374	$ 2,458,228	$ 3,106,601	100%
2007	619,590	1,932,404	2,551,994	100%
2006	608,662	1,636,962	2,245,623	100%

A copy of the County Employees' Retirement System's stand alone financial statements can be obtained from the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or on the Internet at www.kyret.com.

Employee Benefits. Any employee who terminates employment with the City will be compensated for all accrued unused vacation leave at the employees current rate of pay. In the entity-wide statements, this amount is reported as a current liability for the amount estimated to be paid out in fiscal year 2008, and the remainder is reported as a long-term liability. In the fund financial statements, only the current amount is reported. The Proprietary Fund financial statements report the compensated absences the same as the entity-wide statements.

There is no maximum amount of unused sick days that an employee may accumulate; however, employees are not compensated for unused sick days upon separation from the City's employment. Annually, employees are given the option of being compensated for unused sick days at their current pay rate based upon the number of sick days that were not used during the year or accumulating unused sick days for future years.

The City does not pay any post retirement benefits for its employees.

(5) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2008:

Governmental Activities	
Suffoletta Aquatic Center	$ 153,067
Fire Station #3 Parking Lot	456,250
Software & Licensing - Dispatch	200,434
Sims Road Landfill	1,000
Bradshaw Property - development	137,441
	948,192
Business-type Activities	
WWTP#2 Oxidation Ditch Aerator Motor Replacement	$ 115,800
WWTP#1 UV Disinfection	293,439
Industrial Park Sewer Design	53,715
Shoshoni Trail Waterline Upgrade	9,763
South Broadway Sewer Pipe Rehabilitation	25,844
Ward Hall P/S - PFA#14	77,508
	576,069
Less amount to be received as contributed capital	(164,645)
	$ 411,964
Total construction commitments	$ 1,360,156

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially effect the City's financial position.

In March 2006, the City and the Kentucky American Water Company (KAWC) entered into an agreement whereby the KAWC would construct at their cost a water line to the business park being developed by the City. The cost of this water line is estimated at $74,668. Terms of the agreement state in part that, "If the revenues paid by the customers on this main extension, either during the three-year period immediately following the initiation of service to the first of such customers on this main extension, or during the four-year period immediately following completion of the main extension, whichever should first occur, are less than the cost of the main extension, then the City shall pay the Company the amount by which such cost exceed the revenues."

(6) CONTRIBUTED ASSETS

Contributed assets totaling $2,413,999 have been reported in the accompanying statement of revenues, expenses, and changes in fund assets. These contributions include $2,079,472 of water and sewer lines, which were constructed by developers and were deeded to the Water and Sewer Service and $334,527 of cash contributions made by various state and local governments and developers. These funds were used to construct various water and sewer projects.

(7) ECONOMIC DEPENDENCE

Toyota Motor Manufacturing Company, USA and its subsidiaries provided $9,690,441 (60.1%) of the City's license, fees, and permit revenue and $66,950 (6.9%) of the City's property tax revenue. The total amount paid by these companies represents 47.6% of the General Fund revenues. In addition, they provided 79% of the operating revenue for the Wastewater Treatment Plant No. 2. Ten customers accounted for $578,515 (7.1%) of the operating revenues of the Water and Wastewater Treatment Plant No. 1.

(8) RELATED PARTY TRANSACTIONS

One of the commissioners (whose term expired December 31, 2007) of the Georgetown Municipal Water and Sewer Service is affiliated with an insurance company with which the Board places its insurance coverage. Total payments by the Georgetown Water and Sewer Service to this company for the year ended June 30, 2008 were $115,500.

(9) LANDFILL POST CLOSURE COST

In fiscal year 2001 and 2002, the City purchased developed property from owners totaling $2,409,689, which had been owned by the City in previous years and used as a landfill. Subsequent to the sale of this property by the City to developers and the resale to third party owners, certain significant environmental issues were identified with the property occurring in the years it was used by a private manufacturing company. This landfill was closed as of June 30, 2008.

In addition, the City is in the process of providing post closure care for the Sims Road landfill site owned by the City. The total recorded liability at June 30, 2008 in connection with the closure of this landfill is $148,000.

The total remaining liability at June 30, 2008 of $148,000 to provide for the closure of the landfill was funded by a grant agreement totaling $1,860,000 from the Commonwealth of Kentucky and one-half of any excess costs will be reimbursed by Scott County Fiscal Court. The City may incur additional post closure cost in future periods due to change in the applicable laws or regulations and technology used in the post closure care.

(10) CHARITABLE DONATION AGREEMENT

In December of 2001, the City and Toyota Motor Manufacturing, Kentucky, Inc. ("TMMK") entered into a Charitable Donation Agreement (the "Agreement") whereby TMMK agreed to provide certain charitable contributions to the City for use in the acquisition of certain properties deemed by both parties as suitable for economic development, including open space, scenic and recreational properties as defined in the Agreement. Under the terms of the Agreement, TMMK would reimburse the City 50% of the purchase price of eligible property up to a maximum of $4,000,000. The City did not receive any payments under this Agreement for the year ended June 30, 2008. Prior years' receipts have totaled $2,533,623.

(11) DEFICIT FUND BALANCE

The Cardome Fund had a deficit fund balance of $678 at June 30, 2008. This deficit balance has been funded in part by the General Fund. The City is pursuing ways to increase the revenues and/or reduce expenses in the Cardome Fund to eliminate the deficit fund balance.

(12) RISK MANAGEMENT

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(13) COMMITMENTS AND CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially effect the City's financial position or results of operations.

(14) SUBSEQUENT EVENTS

On December 18, 2008, the City Council approved a refinancing agreement to restructure four of the City's capital leases.

On November 7, 2008, the Kentucky Labor Cabinet notified the Kentucky Fire Commission of a ruling by the Jefferson Circuit Court that would overrule the Secretary of Labor regarding firefighters incentive pay. As a result, the City may be required to provide back-pay to those affected. The financial impact of a final court decision cannot be determined at this time, but could be substantial.

(15) NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2008 that have effective dates that will impact future financial presentations. Management has not currently determined what, if any.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions,* will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2009. This Statement will require governments to recognize an expense under the accrual basis for annual required OPEB contributions, regardless of amounts paid. This cumulative difference between amounts expensed and paid will create a liability (asset) similar to net pension obligations.

GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans,* will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post-employment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 51, *Accounting for and Reporting Intangible Assets* is effective for the City beginning after June 30, 2009. This statement establishes accounting and financial reporting for intangible assets and results in a more faithful representation of the service capacity of intangible assets.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Taxes:					
General property taxes	$ 950,000	$ -	$ 950,000	$ 949,045	$ (955)
Tangible property taxes	-	-	-	25,937	25,937
Motor vehicle taxes	275,000	-	275,000	269,003	(5,997)
Bank deposit tax	51,000	-	51,000	54,551	3,551
Telecommunications taxes	-		-	102,270	102,270
Delinquent taxes	23,500	-	23,500	40,036	16,536
	1,299,500	-	1,299,500	1,440,842	141,342
Licenses, fees, and permits:					
Occupational & net profits license fees	16,500,000	-	16,500,000	13,337,652	(3,162,348)
Insurance premium fees	1,780,000	-	1,780,000	1,930,964	150,964
Franchise fee - KU	380,000	-	380,000	438,234	58,234
Franchise fees - other	200,000	-	200,000	43,802	(156,198)
Electrical fees	110,000	-	110,000	111,348	1,348
Building permits	293,324	-	293,324	216,258	(77,066)
Regulatory fees	35,000	-	35,000	42,272	7,272
Hazmat Revenue	-	-	-	1,502	1,502
Other permits	500	-	500	600	100
	19,298,824	-	19,298,824	16,122,632	(3,176,192)
Fines and reimbursements:					
Court fines - Commonwealth of Kentucky	-	-	-	96,387	96,387
Penalties and interest - property taxes	10,000	-	10,000	15,628	5,628
Code enforcement fines	5,000	-	5,000	725	(4,275)
	15,000	-	15,000	112,740	97,740
Intergovernmental:					
County - capital projects	200,000	-	200,000	61,070	(138,930)
County - dispatch	550,351	-	550,351	461,502	(88,849)
Ambulance service	500,000	-	500,000	581,089	81,089
County - building inspection	336,630	-	336,630	252,309	(84,321)
Police grants	207,494	-	207,494	206,467	(1,027)
Fire grants	224,094	-	224,094	227,924	3,830
CMRS Board - dispatch	-	-	-	20,362	20,362
County - recycling	138,100	-	138,100	95,010	(43,090)
Other grants	-	-	-	193,029	193,029
	2,156,669	-	2,156,669	2,098,762	(57,907)
Interest income	90,000	-	90,000	147,415	57,415
Other revenue:					
Recycling center	35,000	-	35,000	52,741	17,741
Miscellaneous	5,000	-	5,000	47,954	42,954
Canewood	7,021	-	7,021	7,123	102
Donations	5,000	-	5,000	1,500	(3,500)
Fire conference	15,000	-	15,000	-	(15,000)
Police services	48,000	-	48,000	19,123	(28,877)
Street light	-	-	-	2,276	2,276
Parking fees	18,000	-	18,000	14,895	(3,105)
Workers Comp Reimb	-	-	-	11,651	11,651
Cherry Blossom street lights	-	-	-	11,860	11,860
Insurance proceeds	-	-	-	38,246	38,246
	133,021	-	133,021	207,369	74,348
Rental income	15,600	-	15,600	26,000	10,400
Total revenues	23,008,614	-	23,008,614	20,155,760	(2,852,854)

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Expenditures					
General Government:					
Personnel services	886,726	-	886,726	835,381	51,345
Materials and services	1,099,432	87,234	1,186,666	1,048,163	138,503
Capital outlay	65,000	268,859	333,859	277,431	56,428
Debt service	1,076,565	-	1,076,565	939,176	137,389
	3,127,723	356,093	3,483,816	3,100,151	383,665
Public Works:					
Personnel services	1,035,494	(6,000)	1,029,494	934,314	95,180
Materials and services	252,409	(18,500)	233,909	219,981	13,928
Capital outlay	-	-	-	-	-
	1,287,903	(24,500)	1,263,403	1,154,295	109,108
Police:					
Personnel services	4,091,993	-	4,091,993	3,712,997	378,996
Materials and services	582,175	-	582,175	528,858	53,317
Capital outlay	100,000	-	100,000	5,548	94,452
	4,774,168	-	4,774,168	4,247,403	526,765
Fire:					
Personnel services	3,787,615	9,802	3,797,417	3,802,118	(4,701)
Materials and services	407,150	19,681	426,831	398,229	28,602
Capital outlay	15,000	-	15,000	222	14,778
Debt service	-	-	-	-	-
	4,209,765	29,483	4,239,248	4,200,569	38,679
Recycling:					
Personnel services	230,460	(35,000)	195,460	146,088	49,372
Materials and services	37,740	35,000	72,740	56,301	16,439
Capital outlay	8,000	-	8,000	7,496	504
	276,200	-	276,200	209,885	66,315
City Council:					
Personnel services	163,352	-	163,352	163,746	(394)
Materials & services	-	-	-	-	-
	163,352	-	163,352	163,746	(394)
Building Inspection:					
Personnel services	575,800	-	575,800	473,079	102,721
Materials and services	227,261	-	227,261	160,555	66,706
Capital outlay	-	-	-	-	-
	803,061	-	803,061	633,634	169,427
Telecommunications:					
Personnel services	995,150	(87,655)	907,495	847,701	59,794
Materials and services	101,152	87,655	188,807	152,604	36,203
Capital outlay	210,000	-	210,000	153,675	56,325
	1,306,302	-	1,306,302	1,153,980	152,322
City Clerk:					
Personnel services	132,163	(8,000)	124,163	84,204	39,959
Materials & services	74,717	8,000	82,717	64,388	18,329
Capital outlay	-	-	-	-	-
	206,880	-	206,880	148,592	58,288

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Beautification:					
Personnel services	221,272	(15,000)	206,272	184,956	21,316
Materials and services	56,250	15,000	71,250	50,936	20,314
Capital outlay	10,000	-	10,000	1,800	8,200
	287,522	-	287,522	237,692	49,830
Community Development:					
Ambulance	1,625,362	-	1,625,362	1,511,861	113,501
Parks	610,000	-	610,000	610,000	-
Planning and Zoning	492,990	-	492,990	492,990	-
Arts Consortium	7,000	-	7,000	7,000	-
Animal Shelter	220,000	-	220,000	211,452	8,548
Electrical Inspection	196,000	-	196,000	162,108	33,892
Indoor Facility/Pavilion	130,000	-	130,000	130,000	-
Ed Davis Learning Center	127,000	-	127,000	127,000	-
Youth Center/Center of Town	110,000	-	110,000	110,000	-
Scott County Airport	25,000	-	25,000	25,000	-
Senior Citizens	88,000	-	88,000	88,000	-
Disaster Emergency Services (EMA)	20,000	83,576	103,576	103,576	-
Community Agencies	52,000	-	52,000	52,000	-
Renaissance Georgetown	45,000	-	45,000	45,000	-
Georgetown/Scott County Museum	38,000	-	38,000	38,000	-
Scott County United	20,000	-	20,000	20,000	-
Scott County Education Foundation	15,000	-	15,000	15,000	-
Sister Cities	6,000	-	6,000	6,000	-
Amen House	6,000	-	6,000	6,000	-
Aquatic Center	-	-	-	-	-
Capital outlay:					-
Parks	99,000	-	99,000	99,000	
P & Z	-	125,000	125,000	125,000	-
EMS Station	-	-	-	-	-
Aquatic Center	400,000	229,783	629,783	629,783	-
	4,332,352	438,359	4,770,711	4,614,770	155,941
Total expenditures	20,775,228	799,435	21,574,663	19,864,717	1,709,946
Excess of Revenues Over (Under) Expenditures	2,233,386	(799,435)	1,433,951	291,043	(1,142,908)
Other Financing Sources (Uses)					
Debt proceeds	-	-	-	-	-
Sale of property	-	-	-	672,000	672,000
Transfers in	-	-	-	-	-
Transfers out	(2,532,780)	(7,716)	(2,540,496)	(1,734,175)	806,321
Total other financing sources (uses)	(2,532,780)	(7,716)	(2,540,496)	(1,062,175)	1,478,321
Net change in fund balance	(299,394)	(807,151)	(1,106,545)	(771,132)	335,413
Fund balance beginning of year	299,394	807,151	1,106,545	7,651,059	6,544,514
Fund balance end of year	$ -	$ -	$ -	$ 6,879,927	$ 6,879,927

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUSINESS PARK FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Intergovernmental	$ 315,600	$ -	$ 315,600	$ 542,427	$ 226,827
Other income	-	-	-	198,131	198,131
Total revenues	315,600	-	315,600	740,558	424,958
Expenditures					
Business Park Development					
Materials and services	10,000	-	10,000	424	9,576
Capital outlay	903,600	-	903,600	557,281	346,319
Debt service	412,032	-	412,032	395,028	17,004
Total expenditures	1,325,632	-	1,325,632	952,733	372,899
Excess of Revenues Over (Under) Expenditures	(1,010,032)	-	(1,010,032)	(212,175)	797,857
Other Financing Sources (Uses)					
Sale of property	500,000	-	500,000	500,000	-
Debt proceeds	-	-	-	-	-
Transfers in	510,032	-	510,032	-	(510,032)
Total other financing sources (uses)	1,010,032	-	1,010,032	500,000	(510,032)
Net change in fund balance	-	-	-	287,825	287,825
Fund balance beginning of year	-	-	-	(252,634)	(252,634)
Fund balance end of year	$ -	$ -	$ -	$ 35,191	$ 35,191

CITY OF GEORGETOWN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTAL INFORMAITON
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2008

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with this Statue, the following process is used to adopt the annual budget:

A. The budget proposal is the responsibility of the Mayor of the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
B. The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
C. No budget ordinance shall be adopted which provides for appropriations to exceed revenues in any one fiscal year in violation of Section 157 of the Kentucky Constitution.
D. The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of Section 91A.030 of the KRS.
E. Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operating budgets of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenses and Changes in Fund Balance, Budgetary and Actual are the same.

SUPPLEMENTAL INFORMATION

CITY OF GEORGETOWN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Municipal Aid Fund	Local Government Economic Assistance Fund	Gus Wolf Fund	Drug Forfeiture Fund	Cemetary Fund	Main Street Fund	Cardome Fund	Public Safety Fund	Special Projects Fund	Total Governmental Funds
Assets										
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17	$ 17
Receivables:										
Customer	-	-	-	-	50,710	-	3,652	-	-	54,362
Intergovernmental	229,379	-	-	-	31,261	916	-	154,775	42,803	459,134
Others, net	-	-	-	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-	-	-	-
Due from other funds	506,449	63,936	5,589	79,612	-	-	22,676	-	46,082	724,344
Total assets	$ 735,828	$ 63,936	$ 5,589	$ 79,612	$ 81,971	$ 916	$ 26,328	$ 154,775	$ 88,902	$ 1,237,857
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	$ 322,547	$ 24,563	$ -	$ 8,792	$ 4,227	$ -	$ 12,967	$ 4,053	$ 54,486	$ 431,635
Accrued payroll liabilities	-	-	-	-	3,562	-	8,743	11,133	-	23,438
Due to other funds	-	-	-	-	18,370	916	-	137,422	-	156,708
Deferred revenue	-	-	-	-	6,415	-	-	2,167	34,416	42,998
Compensated absences	-	-	-	-	-	-	5,296	-	-	5,296
Total liabilities	322,547	24,563	-	8,792	32,574	916	27,006	154,775	88,902	660,075
Fund Balances:										
Reserved	-	-	-	-	49,397	-	-	-	-	49,397
Unreserved	413,281	39,373	5,589	70,820	-	-	(678)	-	-	528,385
Total fund balances	413,281	39,373	5,589	70,820	49,397	-	(678)	-	-	577,782
Total liabilities and fund balances	$ 735,828	$ 63,936	$ 5,589	$ 79,612	$ 81,971	$ 916	$ 26,328	$ 154,775	$ 88,902	$ 1,237,857

CITY OF GEORGETOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Municipal Aid Fund	Local Government Economic Assistance Fund	Gus Wolf Fund	Drug Forfeiture Fund	Cemetary Fund	Main Street Fund	Cardome Fund	Public Safety Fund	Special Projects Fund	Total Governmental Funds
Revenues										
Fines and reimbursements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	541,982	21,425	-	24,304	31,260	25,028	9,400	454,301	215,592	1,323,292
Interest income	13,901	1,747	112	1,727	-	-	-	-	-	17,487
Other income	-	-	-	-	-	-	7,387	-	-	7,387
Sales and services	-	-	-	-	193,718	-	69,412	-	-	263,130
Rental	-	-	-	-	-	-	46,280	-	-	46,280
Total revenues	555,883	23,172	112	26,031	224,978	25,028	132,479	454,301	215,592	1,657,576
Expenditures										
Public works	767,656	83,291	-	-	-	25,028	-	-	-	875,975
Police	-	-	-	41,936	-	-	-	10,500	-	52,436
Fire	-	-	-	-	-	-	-	633,291	-	633,291
Community Development	-	-	-	-	-	-	-	3,326	-	3,326
Cemetary	-	-	-	-	273,340	-	-	-	-	273,340
Cardome	-	-	-	-	-	-	598,316	-	-	598,316
Debt service	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	938	-	-	92,558	215,592	309,088
Total expenditures	767,656	83,291	-	41,936	274,278	25,028	598,316	739,675	215,592	2,745,772
Excess of Revenues Over (Under) Expenditures	(211,773)	(60,119)	112	(15,905)	(49,300)	-	(465,837)	(285,374)	-	(1,088,196)
Other Financing Sources (Uses)										
Transfers in (out)	-	-	-	-	48,879	-	465,431	234,649	-	748,959
Total other financing sources (uses)	-	-	-	-	48,879	-	465,431	234,649	-	748,959
Net change in fund balances	(211,773)	(60,119)	112	(15,905)	(421)	-	(406)	(50,725)	-	(339,237)
Fund balances (deficit) beginning of year	625,054	99,492	5,477	86,725	49,818	-	(272)	50,725	-	917,019
Fund balances (deficit) end of year	$ 413,281	$ 39,373	$ 5,589	$ 70,820	$ 49,397	$ -	$ (678)	$ -	$ -	$ 577,782

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 265,000	$ 541,982	$ 276,982
Interest income	3,000	13,901	10,901
Total revenues	268,000	555,883	287,883
Expenditures			
Public Works:			
Street maintenance	940,823	767,656	173,167
Total expenditures	940,823	767,656	173,167
Excess of Revenues Over (Under) Expenditures	(672,823)	(211,773)	461,050
Fund balance, beginning of year	672,823	625,054	(47,769)
Fund balance, end of year	$ -	$ 413,281	$ 413,281

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 13,000	$ 21,425	$ 8,425
Interest income	600	1,747	1,147
Total revenues	13,600	23,172	9,572
Expenditures			
Public Works:			
Street maintenance	83,291	83,291	-
Total expenditures	83,291	83,291	-
Excess of Revenues Over (Under) Expenditures	(69,691)	(60,119)	9,572
Fund balance, beginning of year	69,691	99,492	29,801
Fund balance, end of year	$ -	$ 39,373	$ 39,373

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GUS WOLF FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Interest income	$ -	$ 112	$ 112
Total revenues	-	112	112
Expenditures			
Community Development	-	-	-
Total expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	112	112
Fund balance, beginning of year	-	5,477	5,477
Fund balance, end of year	$ -	$ 5,589	$ 5,589

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FORFEITURE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Forfeiture income	$ -	$ 24,304	$ 24,304
Parking fines	-	-	-
Interest income	-	1,727	1,727
Total revenues	-	26,031	26,031
Expenditures			
Police Department:			
Materials and services	41,936	41,936	-
Total expenditures	41,936	41,936	-
Excess of Revenues Over (Under) Expenditures	(41,936)	(15,905)	26,031
Fund balance, beginning of year	41,936	86,725	44,789
Fund balance, end of year	$ -	$ 70,820	$ 70,820

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 95,815	$ 31,260	$ (64,555)
Sales and services	150,000	193,718	43,718
Total revenues	245,815	224,978	(20,837)
Expenditures			
Cemetery:			
Personnel services	247,339	195,196	52,143
Materials and services	92,050	78,144	13,906
Capital outlay	17,000	938	16,062
Total expenditures	356,389	274,278	82,111
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(110,574)	(49,300)	61,274
Other financing sources (uses)			
Transfer from other funds, net	110,815	48,879	(61,936)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	241	(421)	(662)
Fund balance, beginning of year	-	49,818	49,818
Fund balance, end of year	$ 241	$ 49,397	$ 49,156

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MAIN STREET FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 24,113	$ 25,028	$ 915
Total revenues	24,113	25,028	915
Expenditures			
Main Street	24,113	25,028	(915)
Total expenditures	24,113	25,028	(915)
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	-	-	-
Other financing sources (uses)			
Transfer from other funds, net	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	$ -	$ -	$ -

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CARDOME FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Rental income	$ 49,300	$ 46,280	$ (3,020)
Intergovernmental	24,000	9,400	(14,600)
Service income	37,990	69,412	31,422
Interest income	-	-	-
Miscellaneous income	1,500	7,387	5,887
Total revenues	112,790	132,479	19,689
Expenditures			
Cardome:			
Personnel services	385,651	395,135	(9,484)
Materials and services	215,174	203,181	11,993
Capital outlay	-	-	-
Total expenditures	600,825	598,316	2,509
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(488,035)	(465,837)	22,198
Other financing sources (uses)			
Transfer from other funds, net	488,035	465,431	(22,604)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	(406)	(406)
Fund balance, beginning of year	-	(272)	(272)
Fund balance, end of year	$ -	$ (678)	$ (678)

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 483,518	$ 454,301	$ (29,217)
Services	-	-	-
Total revenues	483,518	454,301	(29,217)
Expenditures			
Police:			
Materials and services	178,579	10,500	168,079
Capital outlay	-	92,558	(92,558)
Fire:			
Personnel	601,103	591,803	9,300
Materials and services	-	41,488	(41,488)
Community development	-	3,326	(3,326)
Total expenditures	779,682	739,675	40,007
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(296,164)	(285,374)	10,790
Other financing sources (uses)			
Transfer from other funds, net	296,164	234,649	(61,515)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	(50,725)	(50,725)
Fund balance, beginning of year	-	50,725	50,725
Fund balance, end of year	$ -	$ -	$ -

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 311,342	$ 215,592	$ (95,750)
Services	-	-	-
Total revenues	311,342	215,592	(95,750)
Expenditures			
Community Development:			
Japanese Garden Construction	250,000	193,085	56,915
Senior Citizen Center Grant	50,000	22,507	27,493
Other Projects	11,342	-	11,342
Total expenditures	311,342	215,592	95,750
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	-	-	-
Other financing sources (uses)			
Transfer from other funds, net	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	$ -	$ -	$ -

CITY OF GEORGETOWN, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Homeland Security				
Direct Programs -				
Assistance to Firefighters Grant	97.044	N/A	$ 54,819	$ 44,893
Passed through Kentucky Homeland Security-				
Homeland Security Grant	97.067	6000035241	553,635	57,037
Homeland Security Grant	97.067	0700013271	549,900	9,346
Homeland Security Grant - SAFER	97.004	EMW-2006-FF-03985	931,500	712,311
Total U.S. Department of Homeland Security				823,587
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 823,587

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

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

The Honorable Mayor Karen Tingle-Sames and
Members of City Council
City of Georgetown
Georgetown, Kentucky 40324

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City in a separate letter dated January 20, 2008.

This report is intended solely for the information and use of the finance committee, Mayor, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Kelley, Galloway & Company PSC

January 20, 2008

Kelley, Galloway & Company, PSC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Karen Tingle-Sames, Mayor
Members of City Council
City of Georgetown
Georgetown, Kentucky

Compliance

We have audited the compliance of the City of Georgetown (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Georgetown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the finance committee, Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Kelley, Galloway & Company, PSC

January 20, 2008

CITY OF GEORGETOWN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. Unqualified opinions were issued on the financial statements of the City of Georgetown for the year ended June 30, 2008.

2. The audit of the financial statements of the City of Georgetown as of and for the year ended June 30, 2008, disclosed no internal control related significant deficiencies.

3. The audit disclosed no instances of noncompliance material to the financial statements of the City of Georgetown.

4. There were no significant deficiencies in internal control over the major programs.

5. An unqualified opinion was issued on compliance over major programs.

6. The audit disclosed no findings and questioned costs.

7. The City had the following major programs for the year ended June 30, 2008:

	CFDA NO.
Homeland Security Grant - SAFER	97.004

8. The threshold used to distinguish between Type A and Type B programs was $300,000.

9. The City did not qualify as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted in the current year.

CITY OF GEORGETOWN, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

There were no findings in the prior year.

CITY OF GEORGETOWN, KENTUCKY

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2008

No findings or questioned costs in the current year.