

CITY OF GEORGETOWN
Georgetown, Kentucky



**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**
June 30, 2014

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City Council Members
 Chuck Bradley
 Millie Butcher-Conway
 Polly Singer-Eardley
 David Lusby



City Council Members
 Karen Tingle-Sames
 Mark Showalter
 Connie Tackett
 Marvin Thompson

TOM PRATHER, MAYOR

**City of Georgetown
 Management's Discussion and Analysis
 For the Year Ended June 30, 2014**

EXECUTIVE SUMMARY

The City of Georgetown's Management Team presents this narrative to help our users evaluate our financial performance for the year ended June 30, 2014. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. Our Basic Financial Statements are presented in accordance with Governmental Accounting Standards Board (www.gasb.org) accounting and reporting standards for state and local governments in the United States, in accordance with KRS 91A.020. Our basic financial statements include (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, (4) certain required supplementary information, and (5) other supplementary information.

Readers can find more details in the statements and narratives on pages 9 through 41 of this report. Some of the significant financial issues include:

- The City of Georgetown saw license and permit revenues continue to rebound, including Occupational License Fees for Payroll and Net Profits, increasing over FY 2013 by more than \$1.2 million.
- Operating costs across both governmental and proprietary funds stayed relatively stable and included a 3% pay increase for City employees for the second year in a row. Overall costs increased mainly due to large capital purchases such as a fire truck.
- Capital additions totaled \$2,400,977, with \$277,517 coming from developers' contributions of infrastructure and \$537,000 in additional Construction in Progress for the construction of a new Police Department approved by the City in May 2014. Capital additions also included the purchase of properties adjacent to the City Hall parking lot for future parking lot improvements.
- The General Fund balance increased by almost \$2.3 million due to increased revenues.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements report the overall financial position and activities of the City as a whole. The statements are prepared using accounting principles that are similar to a commercial business. All of the City's funds are included in the government-wide statements.

Columns in the government-wide financial statements reflect two major types of operations for the City of Georgetown:

- **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 trust, 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 include the Georgetown Municipal Water and Sewer Service, Sanitation, and Solid Waste Management. These operations are funded with user fees based on consumption.



Net Position reflects the difference between the City's total assets and total liabilities. These amounts are similar to the owner's equity in financial statements of a commercial business, but these amounts do reflect resources that are available for supporting future governmental services. The City's operating purpose is providing services, not accumulating net assets, but an increase in the net position shows the financial position of the City has improved.

The following table outlines a condensed version of the Statement of Net Position for June 30, 2014 and 2013.

**City of Georgetown
Net Position
June 30, 2014 & 2013**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 14,707,157	\$ 10,977,005	\$ 1,062,917	\$ 827,991	\$ 15,770,074	\$ 11,804,996
Capital assets	77,535,559	78,879,820	92,204,372	89,886,883	169,739,931	168,766,703
Other assets	702,502	675,379	4,893,564	6,063,783	5,596,066	6,739,162
Deferred Outflows of Resources	-	-	13,372	9,485	13,372	9,485
Total assets	92,945,218	90,532,204	98,174,225	96,788,142	191,119,443	187,320,346
Long-term debt outstanding	11,745,290	12,234,988	12,149,147	12,084,686	23,894,437	24,319,674
Other liabilities	3,067,461	2,520,166	1,629,488	2,450,307	4,696,949	4,970,473
Total liabilities	14,812,751	14,755,154	13,778,635	14,534,993	28,591,386	29,290,147
Net position:						
Net invested in capital assets	65,795,129	66,619,061	80,055,225	80,033,203	145,850,354	146,652,264
Restricted	2,469,714	1,703,190	2,703,099	3,232,256	5,172,813	4,935,446
Unrestricted	9,867,624	7,454,799	1,637,266	(1,012,310)	11,504,890	6,442,489
Total net position	\$ 78,132,467	\$ 75,777,050	\$84,395,590	\$82,253,149	\$162,528,057	\$ 158,030,199

Governmental current assets increased \$3,730,152 with a significant increase in cash and cash equivalents. Long-term governmental liabilities decreased due to payment of long-term debt. Other liabilities increased due to higher vouchers payable and higher accrued payroll, as well as a larger portion of current long-term debt. Restricted resources in the governmental funds include restricted cash in the General Fund, MAP, LGEA, Cemetery Perpetual Care, and Drug Forfeiture resources.

Current asset balances in the business-type activities increased \$234,926 mainly due to decreased prepaid expenses and a decrease in the internal balances owed to other funds. Debt stayed relatively constant with an increase in long-term debt and the removal of the post-closure care liability on the landfill.

The Statement of Activities (page 10) shows the revenues and expenses of the City using the accrual method of accounting. A governmental statement of activities outlines the costs of various programs, plus the charges for services, operating, and capital grants generated by those programs. The net (expense)/revenue column is the difference between the expenses and the revenues for the specific activities and indicates how much of the City's general revenues, such as taxes, investment earnings, and transfers are used to finance these programs.

The following table summarizes the changes in net position for the 2014 and 2013 fiscal years.

City of Georgetown
Operating Results for the Years Ended June 30, 2014 & 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for service	419,000	369,521	12,524,006	12,207,597	12,943,006	12,577,118
Grant funding	3,168,616	2,657,600	173,875	138,391	3,342,491	2,795,991
General revenues:						
Property taxes	2,003,923	1,963,015	-	-	2,003,923	1,963,015
License fees and permits	1,539,154	1,085,140	-	-	1,539,154	1,085,140
Occupational license fees	13,392,970	12,547,572	-	-	13,392,970	12,547,572
Insurance premium tax	2,406,151	1,991,023	-	-	2,406,151	1,991,023
Telecommunications excise tax	99,641	99,646	-	-	99,641	99,646
Interest and investment earnings	45,154	23,246	118,885	165,385	164,039	188,631
Fines and reimbursements	130,630	151,219	-	-	130,630	151,219
Other local revenues	66,367	79,933	-	-	66,367	79,933
Total revenues	23,271,606	20,967,915	12,816,766	12,511,373	36,088,372	33,479,288
Program Expenses:						
General government	2,077,109	1,904,168	-	-	2,077,109	1,904,168
Public protection						
Police	5,314,368	5,134,699	-	-	5,314,368	5,134,699
Fire	5,017,519	4,795,935	-	-	5,017,519	4,795,935
Telecommunications	1,268,219	1,095,059	-	-	1,268,219	1,095,059
Building inspection	365,405	376,236	-	-	365,405	376,236
Community Development	3,820,918	3,667,003	-	-	3,820,918	3,667,003
Codes Enforcement	66,432	23,897	-	-	66,432	23,897
Public works						
Road maintenance	4,057,360	4,264,009	-	-	4,057,360	4,264,009
Water & sewer treatment	-	-	11,018,955	10,918,424	11,018,955	10,918,424
Garbage collection	-	-	1,497,666	1,345,180	1,497,666	1,345,180
Recycling services	-	-	248,559	206,502	248,559	206,502
Stormwater management	-	-	96,733	94,144	96,733	94,144
Landfill postclosure care	-	-	-	95,222	-	95,222
Cemetery:						
Operations	-	-	257,842	237,446	257,842	237,446
Perpetual care	-	-	-	-	-	-
Interest on long-term debt	242,799	257,733	-	-	242,799	257,733
Total expenses	22,230,129	21,518,739	13,119,755	12,896,918	35,349,884	34,415,657
Excess (deficiency) before transfers and special items	1,041,477	(550,824)	(302,989)	(385,545)	738,488	(936,369)
Gain(Loss) on disposal of property	(15,639)	(61,300)	(998)	(27,534)	(16,637)	(88,834)
Capital contributions	617,785	1,971,769	356,527	1,975,033	974,312	3,946,802
Reduction of Postclosure Care Estimate	-	-	2,801,695	1,248,800	2,801,695	1,248,800
Transfers	711,794	403,850	(711,794)	(403,850)	-	-
Prior period adjustment	-	-	-	-	-	-
Net increase (decrease) in net position	2,355,417	1,763,495	2,142,441	2,406,904	4,497,858	4,170,399

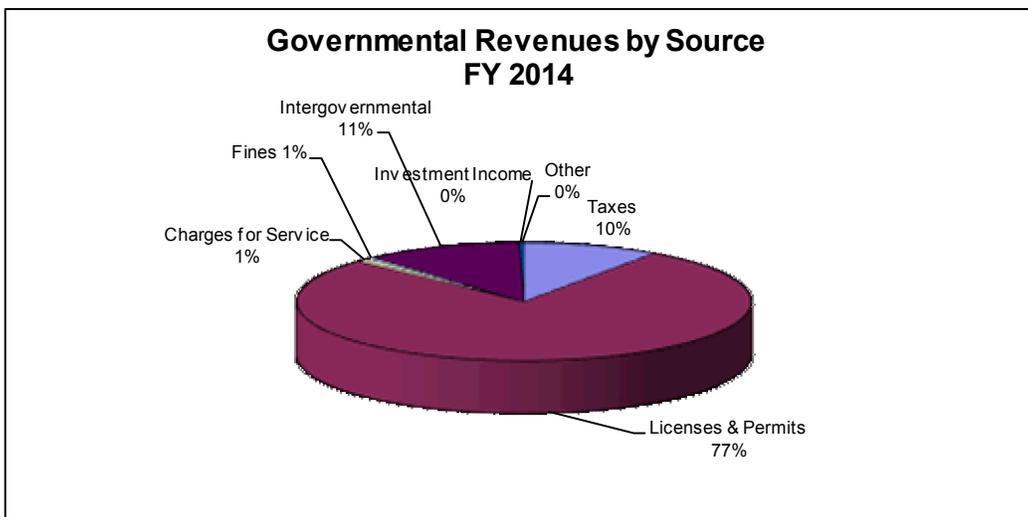
The City saw a significant increase in revenues in FY 2014, primarily from increases in Occupational License Fees, Grant Funding, License Fees & Permits including Alcohol Regulatory Fees, and Insurance Premium Taxes. Revenues for business-type activities stayed relatively consistent with FY 2013.

On the other side of the City's ledger, governmental operating costs increased due to rising salary and benefit costs. Transfers from the business-type activities to reimburse the governmental activities were continued in the amount of \$450,000. The operating costs for business-type activities also stayed relatively consistent compared to FY2013.

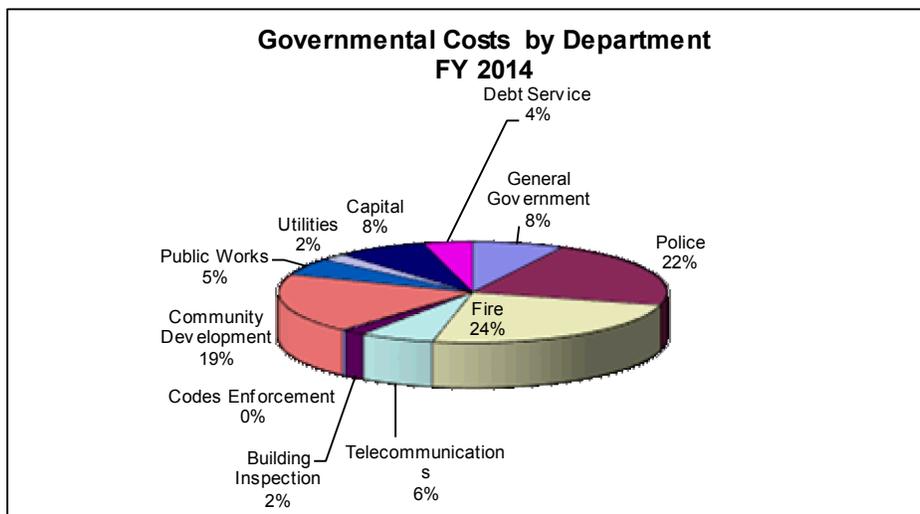
Fund Financial Statements

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 City's fund financial statements are divided into Governmental Funds and Proprietary Funds.

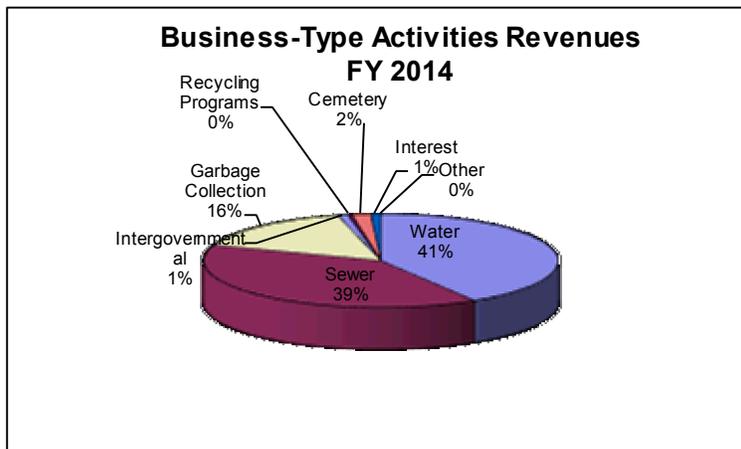
- Governmental Funds.** The City's governmental funds include the General Fund and several special revenue funds, including the Municipal Aid, Local Government Economic Assistance, grants, and the Cemetery perpetual trust fund. The primary source of revenue in the General Fund includes the occupational license fee (77%) on businesses and their employees. Taxes provide another 10% and intergovernmental revenues are 11% of the total governmental resources. Details about individual funds are reported on pages 11 - 13 and 38 - 39 of this report.



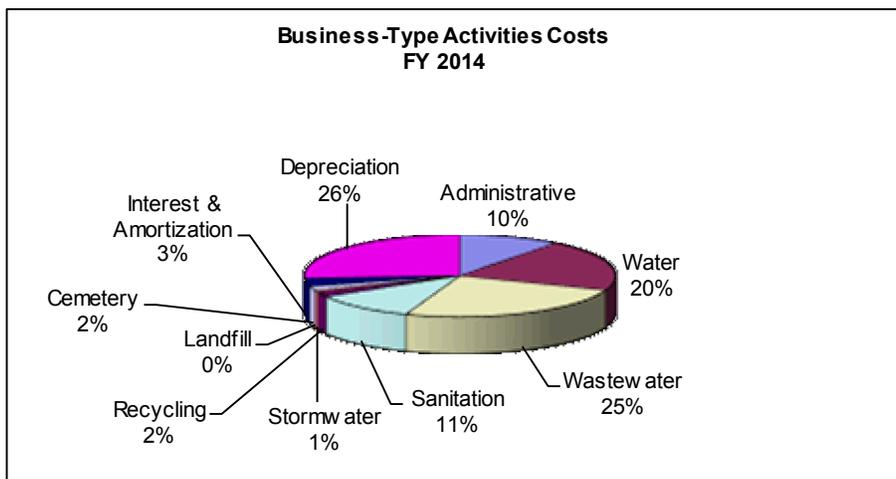
Governmental expenditures include basic services such as police, fire, road maintenance, building inspection, parks and recreation, planning and zoning, and ambulance services. The following chart highlights the allocation among major categories. Community Development includes parks, planning and zoning, plus centers for youth, education, and senior citizens. More details about the individual departments are reported on pages 13 and 39 of this report.



- Proprietary Funds.** The City's proprietary funds include the water, sewer, sanitation, storm water, and solid waste operations. These funds are financed with user fees based on consumption and the costs of providing these services without subsidies to or from the governmental funds. In FY 2014, \$96,734 was transferred from the General Fund to the Environmental Services Fund and \$43,960 was transferred from the General Fund to the Cemetery Fund to resolve the deficits in those funds.



Details about costs for individual operations are reported on page 16 of this report. Water and Wastewater are the largest cost component, but there are other business-type activities for sanitation, recycling, cemetery, and post-closure care for the landfill. Depreciation of existing facilities is also a significant cost component.



BUDGETARY HIGHLIGHTS

A budgetary comparison is presented on page 36 of this report. Total revenues for the year were \$1,264,499 more than budgeted, and expenditures were \$800,839 less than budgeted to provide a net positive budget variance of \$2,065,338 for the year. All revenue categories exceeded budget expectations. Expenditures varied from department to department, but remained under budget across all departments as indicated above.

Budget estimates for FY 2015 project to use \$1.7 million of prior year revenues in the General Fund to fund one time capital projects and for the payoff of small bank loans. The City continues to see increased revenues from Occupational License Fees and has worked to maintain a balanced budget in the current fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Infrastructure contributions from developers resulted in \$277,517 of new sidewalks, streets, and storm sewer infrastructure. Depreciation expense for governmental assets totaled \$3.5 million while asset purchases totaled \$1,586,427. The City also has Construction in Progress of \$537,033 for construction of a new Police Department.

Debt service for the City's governmental funds is only 4% of the total annual appropriations; however, additional General Obligation Bonds in the amount of \$5,000,000 were issued in FY15 to fund the construction of the Police Department. Additionally, the 2009 variable rate debt was refinanced with fixed rate General Obligation Refunding Bonds in FY15 in the amount of \$8,555,000. The City also paid off its two small bank loans for police vehicles and fire gear in FY15 in a total payoff amount of \$339,487 using prior year revenues.

The Georgetown Municipal Water and Sewer Service funds maintain a debt to equity ratio of 15.2%, with outstanding debt of \$12.1 million and net capital assets of \$150 million.

Additional information about capital assets and liabilities is outlined on page 24 through 28 of this report.

OTHER SIGNIFICANT ISSUES AFFECTING FINANCIAL POSITION

In May 2013, the City approved a tax incentive under the Kentucky Job Retention Act for Toyota Manufacturing (TMMK) to begin an expansion that will bring the production of a Lexus model vehicle to the Georgetown plant and is estimated to bring on 750 new full-time, part-time, and temporary employees. The City will contribute one half of one percent of the payroll tax withholding for all full-time, Kentucky-resident, TMMK employees, beginning in FY 2016. The total contribution of the City over ten years will total \$14,650,000. The City plans to fund this investment with prior year revenues from the Unassigned portion of the General Fund Balance, in addition to the continued increase of Occupational License Fee revenues as the economy continues to improve and grow.

The City completed the sale of the Double Culvert landfill by transferring ownership and liability in June 2014. Final payment on the note receivable was remitted to the City in March 2015 in the amount of \$1,896,620, fully paying the balance of the note receivable as well as accrued interest.

In October 2014, the City approved moving towards a partially self-funded plan for employee medical coverage. All City and employee contributions for medical coverage will be set aside in a separate Medical Escrow account to be used for the payment of claims and stop-loss insurance. It is anticipated that the City will see significant annual savings in payouts to the medical insurance provider; however, those savings will be set aside in the Medical Escrow account until an agreed upon balance has been reached in the account, after which excess funds may be redirected back to the general operating budget.

REQUEST FOR INFORMATION

Questions regarding this report may be sent to the Director of Finance, Stacey M. Clark, CPA, at 100 North Court Street, Georgetown, Kentucky 40324. Financial Statements and additional information for Georgetown Municipal Water & Sewer Service can be requested from the Finance Director, Allen Maples, at P.O. Box 640, Georgetown, Kentucky 40324.



Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Honorable Tom Prather, Mayor
and the City Council
City of Georgetown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

Opinions

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

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Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-6 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Georgetown, Kentucky's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the City's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated March 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the effects of the restatement of net position described in Note 21.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015, on our consideration of the City of Georgetown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Georgetown, Kentucky's internal control over financial reporting and compliance.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
May 18, 2015

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			2013 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,292,686	\$ 501,898	\$ 10,794,584	\$ 5,444,971
Investments	1,128,055	-	1,128,055	1,126,581
Accounts receivable				
Taxes & licenses, net	1,258,701	-	1,258,701	2,927,396
Customer, net	-	1,415,220	1,415,220	1,664,092
Intergovernmental	856,672	58,745	915,417	345,268
Other	215,241	-	215,241	76,200
Accrued interest	3,357	-	3,357	3,343
Prepaid expenses	-	39,499	39,499	217,145
Internal balances	952,445	(952,445)	-	-
Total current assets	<u>14,707,157</u>	<u>1,062,917</u>	<u>15,770,074</u>	<u>11,804,996</u>
Noncurrent assets				
Restricted cash and cash equivalents	378,061	1,861,097	2,239,158	2,356,437
Restricted investments	324,441	1,125,638	1,450,079	1,851,767
Accrued interest receivable	-	247	247	20,125
Note receivable	-	1,886,218	1,886,218	2,488,207
Other assets	-	20,364	20,364	22,626
Net capital assets	76,998,526	91,137,013	168,135,539	168,320,574
Construction in progress	537,033	1,067,359	1,604,392	446,129
Total noncurrent assets	<u>78,238,061</u>	<u>97,097,936</u>	<u>175,335,997</u>	<u>175,505,865</u>
Total assets	<u>92,945,218</u>	<u>98,160,853</u>	<u>191,106,071</u>	<u>187,310,861</u>
DEFERRED OUTFLOWS OF RESOURCES				
Defeasance on refunding	-	13,372	13,372	9,485
Total assets and deferred outflows of resources	<u>\$ 92,945,218</u>	<u>\$ 98,174,225</u>	<u>\$ 191,119,443</u>	<u>\$ 187,320,346</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 661,992	\$ 135,499	\$ 797,491	\$ 657,675
Contracts payable	-	-	-	100,858
Accrued liabilities	1,078,489	757,526	1,836,015	1,454,369
Accrued interest payable	25,295	33,345	58,640	86,965
Customer deposits	509,557	223,082	732,639	700,153
Unearned revenue	55,420	-	55,420	60,610
Accrued compensated absences, current	88,988	84,064	173,052	147,345
Current portion of long-term debt	647,720	760,417	1,408,137	1,762,498
Total current liabilities	<u>3,067,461</u>	<u>1,993,933</u>	<u>5,061,394</u>	<u>4,970,473</u>
Noncurrent liabilities				
Compensated absences	652,580	395,972	1,048,552	967,733
Accrued landfill closure and postclosure care	-	-	-	3,000,000
Bonds and notes payable	-	11,388,730	11,388,730	8,686,356
Capital lease obligations	11,092,710	-	11,092,710	11,665,585
Total noncurrent liabilities	<u>11,745,290</u>	<u>11,784,702</u>	<u>23,529,992</u>	<u>24,319,674</u>
Total liabilities	<u>14,812,751</u>	<u>13,778,635</u>	<u>28,591,386</u>	<u>29,290,147</u>
NET POSITION				
Net invested in capital assets	65,795,129	80,055,225	145,850,354	146,652,264
Restricted	2,469,714	2,703,099	5,172,813	4,935,446
Unrestricted	9,867,624	1,637,266	11,504,890	6,442,489
Total net position	<u>78,132,467</u>	<u>84,395,590</u>	<u>162,528,057</u>	<u>158,030,199</u>
Total liabilities and net position	<u>\$ 92,945,218</u>	<u>\$ 98,174,225</u>	<u>\$ 191,119,443</u>	<u>\$ 187,320,346</u>

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2013 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,077,109	\$ 50,840	\$ -	242,512	\$ (1,783,757)	\$ -	\$ (1,783,757)	\$ (1,859,768)
Public safety								
Police	5,314,368	93,938	379,712	-	(4,840,718)	-	(4,840,718)	(4,633,230)
Fire	5,017,519	-	220,553	-	(4,796,966)	-	(4,796,966)	(4,544,468)
Telecommunications	1,268,219	-	793,327	-	(474,892)	-	(474,892)	(385,628)
Building inspection	365,405	267,867	242,651	-	145,113	-	145,113	35,180
Codes enforcement	66,432	-	24,476	-	(41,956)	-	(41,956)	(11,965)
Public works	4,057,360	6,355	703,886	277,517	(3,069,602)	-	(3,069,602)	(1,847,895)
Community development	3,820,918	-	804,011	97,756	(2,919,151)	-	(2,919,151)	(3,014,342)
Interest on long-term debt	242,799	-	-	-	(242,799)	-	(242,799)	(257,733)
Total governmental activities	22,230,129	419,000	3,168,616	617,785	(18,024,728)	-	(18,024,728)	(16,519,849)
Business type activities								
Georgetown Municipal Water & Sewer:								
Administration	1,429,275	-	-	-	-	(1,429,275)	(1,429,275)	(1,200,711)
Water distribution	4,055,355	4,569,891	11,384	238,107	-	764,027	764,027	926,059
Sewer collection and treatment	5,534,325	5,728,069	-	118,420	-	312,164	312,164	1,413,291
Environmental service:								
Sanitation	1,497,666	2,005,595	-	-	-	507,929	507,929	531,997
Recycling	248,559	47,967	118,532	-	-	(82,060)	(82,060)	(65,560)
Stormwater management	96,733	-	-	-	-	(96,733)	(96,733)	(94,144)
Cemetery operations	257,842	172,484	43,959	-	-	(41,399)	(41,399)	8,393
Solid waste management	-	-	-	-	-	-	-	(95,222)
Total business-type activities	13,119,755	12,524,006	173,875	356,527	-	(65,347)	(65,347)	1,424,103
Total primary government	\$ 35,349,884	\$ 12,943,006	\$ 3,342,491	\$ 974,312	(18,024,728)	(65,347)	(18,090,075)	(15,095,746)
General revenue								
Property and other local taxes					2,003,923	-	2,003,923	1,963,015
Occupational licenses					13,392,970	-	13,392,970	12,547,572
Insurance premium					2,406,151	-	2,406,151	1,991,023
Licenses, fees, and permits					1,539,154	-	1,539,154	1,085,140
Fines and reimbursements					130,630	-	130,630	151,219
Telecommunications excise tax					99,641	-	99,641	99,646
Interest income					45,154	118,885	164,039	188,631
Miscellaneous					66,367	-	66,367	79,933
Total general revenues					19,683,990	118,885	19,802,875	18,106,179
Gain(loss) on sale of property					(15,639)	(998)	(16,637)	(88,834)
Reduction of postclosure care estimate					-	2,801,695	2,801,695	1,248,800
Transfers					711,794	(711,794)	-	-
Total general revenues and transfers					20,380,145	2,207,788	22,587,933	19,266,145
Change in Net Position					2,355,417	2,142,441	4,497,858	4,170,399
Net position-beginning					75,777,050	82,253,149	158,030,199	153,859,800
NET POSITION-ENDING					\$ 78,132,467	\$ 84,395,590	\$ 162,528,057	\$ 158,030,199

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

CITY OF GEORGETOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2013 Totals</u>
ASSETS				
Cash and cash equivalents	\$ 9,257,735	\$ 1,034,951	\$ 10,292,686	\$ 4,940,435
Restricted cash	378,061	-	378,061	381,301
Investments	1,128,055	324,441	1,452,496	1,420,659
Accounts receivable:				
Taxes and licenses, net	1,258,701	-	1,258,701	2,927,396
Customer	-	-	-	400,733
Intergovernmental	474,516	382,156	856,672	289,988
Other	215,241	-	215,241	76,200
Accrued interest	3,357	-	3,357	3,343
Prepaid expenses	-	-	-	138,785
Due from other funds	116,965	1,372,096	1,489,061	1,127,353
	<u>116,965</u>	<u>1,372,096</u>	<u>1,489,061</u>	<u>1,127,353</u>
 Total Assets	 <u>\$ 12,832,631</u>	 <u>\$ 3,113,644</u>	 <u>\$ 15,946,275</u>	 <u>\$ 11,706,193</u>
LIABILITIES				
Accounts payable	\$ 435,869	\$ 226,123	\$ 661,992	\$ 522,586
Accrued payroll liabilities	1,078,489	-	1,078,489	750,540
Deferred revenue	32,349	23,071	55,420	60,610
Deposits	507,583	1,974	509,557	484,673
Compensated absences	88,988	-	88,988	77,645
Due to other funds	-	536,616	536,616	53,809
	<u>-</u>	<u>536,616</u>	<u>536,616</u>	<u>53,809</u>
 Total Liabilities	 <u>2,143,278</u>	 <u>787,784</u>	 <u>2,931,062</u>	 <u>1,949,863</u>
FUND BALANCE				
Fund Balance				
Restricted	411,778	2,057,936	2,469,714	1,703,190
Assigned	1,743,750	267,924	2,011,674	130,802
Unassigned	8,533,825	-	8,533,825	7,922,338
	<u>8,533,825</u>	<u>-</u>	<u>8,533,825</u>	<u>7,922,338</u>
 Total Fund Balance	 <u>10,689,353</u>	 <u>2,325,860</u>	 <u>13,015,213</u>	 <u>9,756,330</u>
 Total Liabilities and Fund Balance	 <u>\$ 12,832,631</u>	 <u>\$ 3,113,644</u>	 <u>\$ 15,946,275</u>	 <u>\$ 11,706,193</u>

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

CITY OF GEORGETOWN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>2014</u>	<u>2013 Totals</u>
Total Governmental Fund Balances	\$ 13,015,213	\$ 9,756,330
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position	77,535,559	78,879,820
Certain liabilities are not reported in the fund statements because they are not due and payable, but these liabilities are included in the statement of net position		
Long-term capital leases	(11,740,430)	(12,260,759)
Long-term compensated absences liability	(652,580)	(569,403)
Accrued interest on long-term debt	<u>(25,295)</u>	<u>(28,938)</u>
Net Position of Governmental Activities	<u>\$ 78,132,467</u>	<u>\$ 75,777,050</u>

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds	2013 Totals
REVENUES				
Taxes	\$ 2,103,564	\$ -	\$ 2,103,564	\$ 2,062,661
Licenses and permits	16,855,837	-	16,855,837	15,864,878
Charges for service	151,133	-	151,133	157,784
Fines	130,630	-	130,630	151,219
Intergovernmental	2,462,120	1,797,078	4,259,198	2,693,473
Investment income	5,547	39,607	45,154	23,246
Other income	66,367	-	66,367	88,140
	<u>21,775,198</u>	<u>1,836,685</u>	<u>23,611,883</u>	<u>21,041,401</u>
EXPENDITURES				
Current				
Administration	1,143,807	28,283	1,172,090	1,023,354
City Council	171,247	-	171,247	133,993
City Clerk	181,663	-	181,663	200,692
Police	4,223,068	795,243	5,018,311	4,848,974
Fire	4,761,598	4,614	4,766,212	4,577,623
Telecommunications	1,222,977	-	1,222,977	1,058,976
Building inspection	349,774	-	349,774	371,606
Codes enforcement	66,432	-	66,432	23,897
Community development	3,756,157	64,761	3,820,918	3,667,003
Public works	1,071,706	111,044	1,182,750	1,402,588
Utilities	431,884	-	431,884	402,995
Capital outlay	1,483,700	562,514	2,046,214	905,513
Debt service	796,507	62,373	858,880	697,673
	<u>19,660,520</u>	<u>1,628,832</u>	<u>21,289,352</u>	<u>19,314,887</u>
Excess of Revenues Over (Under) Expenditures	2,114,678	207,853	2,322,531	1,726,514
Other Sources				
Proceeds from sale of capital assets	36,564	95,894	132,458	114,658
Loan proceeds	92,100	-	92,100	539,000
Transfers	86,919	624,875	711,794	403,850
	<u>2,330,261</u>	<u>928,622</u>	<u>3,258,883</u>	<u>2,784,022</u>
Net change in fund balance	2,330,261	928,622	3,258,883	2,784,022
Fund Balance, beginning of year	<u>8,359,092</u>	<u>1,397,238</u>	<u>9,756,330</u>	<u>6,972,308</u>
Fund Balance, end of year	<u><u>\$ 10,689,353</u></u>	<u><u>\$ 2,325,860</u></u>	<u><u>\$ 13,015,213</u></u>	<u><u>\$ 9,756,330</u></u>

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

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, 2014

	2014	2013 Totals
Net Change in Fund Balances - Total Governmental Funds	\$ 3,258,883	\$ 2,784,022
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives.	2,046,214	905,513
Capital contributions for infrastructure constructed by developers are not current financial resources in the fund statements, but are recognized in the statement of activities	277,517	1,935,896
Depreciation expense is reported in the statement of activities to recognize the cost of capital assets used to provide programs and services	(3,519,895)	(3,492,494)
Prior year revenues available to pay for current expenditures		
Licenses, fees and permits	-	(29,406)
Miscellaneous revenue	-	(8,206)
Gain (loss) on sale of assets do not provide current financial resources but are reported in the statement of activities	(15,639)	(61,300)
Proceeds from sale of assets are reported at net gain or loss in the statement of activities	(132,458)	(114,658)
Long-term compensated absences are not reported in the fund financial statements because they are not due in the current period, but they are presented as long-term liabilities in the statement of net position	(83,177)	(56,812)
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position	612,438	447,473
Lease proceeds are recognized as other financing sources in the fund financial statements, but are presented as long-term liabilities in the statement of net position.	(92,110)	(539,000)
Adjustment in accrued interest on long-term debt	3,644	(7,533)
Change in Net Position of Governmental Activities	\$ 2,355,417	\$ 1,763,495

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

G-4

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2013 Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 501,898	\$ -	\$ -	\$ -	\$ 501,898	\$ 504,536
Accounts receivable						
Customer, net of allowance	1,141,099	240,631	-	33,490	1,415,220	1,263,359
Intergovernmental	-	14,020	-	44,725	58,745	55,280
Interfund receivable	-	498,877	-	-	498,877	505,183
Prepaid expenses	39,499	-	-	-	39,499	78,360
Total current assets	1,682,496	753,528	-	78,215	2,514,239	2,406,718
Noncurrent assets						
Restricted cash and cash equivalents	1,861,097	-	-	-	1,861,097	1,975,136
Restricted investments	1,098,182	-	27,456	-	1,125,638	1,557,689
Accrued interest receivable	247	-	-	-	247	20,125
Note receivable	-	-	1,886,218	-	1,886,218	2,488,207
Other assets	20,364	-	-	-	20,364	22,626
Capital assets						
Construction in progress	1,067,359	-	-	-	1,067,359	368,883
Land and easements	734,162	9,000	2,427,043	45,079	3,215,284	3,197,842
Buildings and improvements	5,982,044	201,408	-	247,250	6,430,702	6,423,855
Utility plants in service	141,940,610	-	-	-	141,940,610	137,069,023
Vehicles and equipment	3,420,845	1,495,141	-	57,335	4,973,321	4,930,771
Less accumulated depreciation	(64,299,708)	(1,063,492)	-	(59,704)	(65,422,904)	(62,103,491)
Total noncurrent assets	91,825,202	642,057	4,340,717	289,960	97,097,936	95,950,666
Total assets	93,507,698	1,395,585	4,340,717	368,175	99,612,175	98,357,384
DEFERRED OUTFLOWS OF RESOURCES						
Defeasance on refunding	13,372	-	-	-	13,372	9,485
Total assets and deferred outflows of resources	\$ 93,521,070	\$ 1,395,585	\$ 4,340,717	\$ 368,175	\$ 99,625,547	\$ 98,366,869
LIABILITIES AND NET POSITION						
Current liabilities						
Accounts payable	\$ 38,892	\$ 75,130	\$ 14,902	\$ 6,575	\$ 135,499	\$ 135,089
Accrued liabilities	723,738	29,519	-	4,269	757,526	703,829
Contracts payable	-	-	-	-	-	100,858
Compensated absences	78,055	4,054	-	1,955	84,064	69,700
Interfund payable	-	-	1,440,513	10,809	1,451,322	1,578,727
Accrued interest payable	33,345	-	-	-	33,345	58,027
Current portion of long-term debt	760,417	-	-	-	760,417	1,167,324
Customer deposits	223,082	-	-	-	223,082	215,480
Total current liabilities	1,857,529	108,703	1,455,415	23,608	3,445,255	4,029,034
Long-term liabilities						
Compensated absences	351,904	29,731	-	14,337	395,972	398,330
Accrued landfill closure and postclosure care	-	-	-	-	-	3,000,000
Bonds, notes, and loans payable	11,388,730	-	-	-	11,388,730	8,686,356
Total long-term liabilities	11,740,634	29,731	-	14,337	11,784,702	12,084,686
Total liabilities	13,598,163	138,434	1,455,415	37,945	15,229,957	16,113,720
Net Position						
Net invested in capital assets	76,696,165	642,057	2,427,043	289,960	80,055,225	80,033,203
Restricted for debt service	2,703,099	-	-	-	2,703,099	3,232,256
Unrestricted	523,643	615,094	458,259	40,270	1,637,266	(1,012,310)
Total net position	79,922,907	1,257,151	2,885,302	330,230	84,395,590	82,253,149
Total liabilities and net position	\$ 93,521,070	\$ 1,395,585	\$ 4,340,717	\$ 368,175	\$ 99,625,547	\$ 98,366,869

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
for the year ended June 30, 2014

G-4

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2013 Totals
Operating revenues						
Water revenue	\$ 4,130,500	\$ -	\$ -	\$ -	\$ 4,130,500	\$ 4,166,502
Sewer revenue	3,924,050	-	-	-	3,924,050	3,747,385
Sanitation revenue	-	1,877,902	-	-	1,877,902	1,757,632
Recycling revenue	-	47,967	-	-	47,967	42,054
Cemetery revenue	-	-	-	172,484	172,484	206,336
Intergovernmental	-	118,532	-	43,959	162,491	138,391
Connection fees	798,500	-	-	-	798,500	710,369
Commercial user fees	1,099,174	-	-	-	1,099,174	1,041,116
Franchise fees	-	127,693	-	-	127,693	118,406
Miscellaneous	254,174	-	-	-	254,174	331,177
Penalties	91,562	-	-	-	91,562	86,620
	<u>10,297,960</u>	<u>2,172,094</u>	<u>-</u>	<u>216,443</u>	<u>12,686,497</u>	<u>12,345,988</u>
Total operating revenues						
Operating expenses						
Administrative	1,371,668	-	-	-	1,371,668	1,143,197
Water	2,663,979	-	-	-	2,663,979	2,715,704
Wastewater	3,264,341	-	-	-	3,264,341	3,110,115
Sanitation	-	1,419,118	-	-	1,419,118	1,262,655
Recycling	-	244,193	-	-	244,193	202,975
Stormwater	-	96,733	-	-	96,733	94,144
Landfill	-	-	-	-	-	95,222
Cemetery	-	-	-	240,164	240,164	221,261
Depreciation	3,307,200	82,914	-	17,678	3,407,792	3,601,547
	<u>10,607,188</u>	<u>1,842,958</u>	<u>-</u>	<u>257,842</u>	<u>12,707,988</u>	<u>12,446,820</u>
Total operating expenses						
Operating income (loss)	<u>(309,228)</u>	<u>329,136</u>	<u>-</u>	<u>(41,399)</u>	<u>(21,491)</u>	<u>(100,832)</u>
Nonoperating revenues (expenses)						
Interest income	8,418	311	110,156	-	118,885	165,385
Interest expense	(399,078)	-	-	-	(399,078)	(431,478)
Amortization expense	(12,689)	-	-	-	(12,689)	(18,620)
Reduction of postclosure care estimate	-	-	2,801,695	-	2,801,695	1,248,800
Loss on disposal of capital assets	-	(998)	-	-	(998)	(27,534)
	<u>(403,349)</u>	<u>(687)</u>	<u>2,911,851</u>	<u>-</u>	<u>2,507,815</u>	<u>936,553</u>
Total nonoperating revenue (expenses)						
Income (loss) before capital contributions and transfers	(712,577)	328,449	2,911,851	(41,399)	2,486,324	835,721
Capital contributed						
Developer contributions	238,107	-	-	-	238,107	1,755,155
Commercial user contributions	118,420	-	-	-	118,420	219,878
Grants	-	11,384	-	-	11,384	-
Transfers in (out)	-	(353,266)	(387,580)	29,052	(711,794)	(403,850)
	<u>(356,050)</u>	<u>(13,433)</u>	<u>2,524,271</u>	<u>(12,347)</u>	<u>2,142,441</u>	<u>2,406,904</u>
Change in net position						
Net position at beginning of year, as restated	<u>80,278,957</u>	<u>1,270,584</u>	<u>361,031</u>	<u>342,577</u>	<u>82,253,149</u>	<u>79,846,245</u>
NET POSITION AT END OF YEAR	<u>\$ 79,922,907</u>	<u>\$ 1,257,151</u>	<u>\$ 2,885,302</u>	<u>\$ 330,230</u>	<u>\$ 84,395,590</u>	<u>\$ 82,253,149</u>

The accompanying notes are an integral
part of the financial statements

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2014

G-4

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2013 Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 9,977,576	\$ 2,111,117	\$ -	\$ 195,906	\$ 12,284,599	\$ 11,916,053
Payments to suppliers	(3,055,260)	(885,191)	-	(243,548)	(4,183,999)	(3,821,359)
Payments for employee services and benefits	(4,153,983)	(1,019,169)	-	1,485	(5,171,667)	(4,924,216)
Internal activity - payments to other funds	-	-	-	24,635	24,635	8,490
Other receipts (payments)	254,174	-	-	-	254,174	330,038
Net cash provided by operations	<u>3,022,507</u>	<u>206,757</u>	<u>-</u>	<u>(21,522)</u>	<u>3,207,742</u>	<u>3,509,006</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	(207,856)	(525,794)	29,022	(704,628)	(776,677)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Reduction of long-term post-closure care liabilities	-	-	(188,727)	-	(188,727)	(135,374)
Acquisition and construction of capital assets	(5,593,184)	(10,596)	(17,354)	(7,500)	(5,628,634)	(2,122,949)
Proceeds from disposal of capital assets	7,642	-	-	-	7,642	-
Capital contributions	158,252	-	-	-	158,252	509,745
Proceeds from issuance of bonds	7,458,347	-	-	-	7,458,347	-
Payment of advance refunding	(2,815,000)	-	-	-	(2,815,000)	-
Grant for equipment	-	11,384	-	-	11,384	-
Principal paid on capital debt	(2,359,437)	-	-	-	(2,359,437)	(1,342,831)
Draws on line of credit	-	-	-	-	-	-
Interest paid on capital debt	(436,420)	-	-	-	(436,420)	(473,405)
Net cash (used) by capital and related financing activities	<u>(3,579,800)</u>	<u>788</u>	<u>(206,081)</u>	<u>(7,500)</u>	<u>(3,792,593)</u>	<u>(3,564,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	432,051	-	-	-	432,051	(2,896)
Interest received on long-term landfill sale note	-	-	129,886	-	129,886	72,166
Principal received on long-term landfill sale note	-	-	601,989	-	601,989	712,702
Interest income	8,565	311	-	-	8,876	20,173
Net cash provided (used) by investing activities	<u>440,616</u>	<u>311</u>	<u>731,875</u>	<u>-</u>	<u>1,172,802</u>	<u>802,145</u>
NET INCREASE (DECREASE) IN CASH	(116,677)	-	-	-	(116,677)	(30,340)
Cash and cash equivalents at beginning of year	<u>2,479,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,479,672</u>	<u>2,510,012</u>
CASH AT END OF YEAR	\$ 2,362,995	\$ -	\$ -	\$ -	\$ 2,362,995	\$ 2,479,672
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (309,228)	\$ 329,136	\$ -	\$ (41,399)	\$ (21,491)	\$ (100,832)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	3,307,200	82,914	-	17,678	3,407,792	3,601,547
Non-cash credits on tipping fees	-	-	-	-	-	95,222
Change in assets and liabilities:						
Receivables, net	(73,812)	(60,977)	-	(20,537)	(155,326)	(106,012)
Prepaid expense	38,861	-	-	-	38,861	(52,688)
Other assets	2,262	-	-	-	2,262	24,302
Interfund payable	-	(152,928)	-	24,635	(128,293)	(28,870)
Accounts and other payables	49,622	18,025	-	(3,384)	64,263	3,170
Accrued expenses	-	(9,211)	-	1,485	(7,726)	67,052
Customer deposits	7,602	-	-	-	7,602	6,115
Net cash provided by operating activities	<u>\$ 3,022,507</u>	<u>\$ 206,959</u>	<u>\$ -</u>	<u>\$ (21,522)</u>	<u>\$ 3,207,944</u>	<u>\$ 3,509,006</u>
Supplemental disclosures of cash flow information:						
Noncash capital and related financing activities:						
Capital contributions	\$ 198,275	\$ -	\$ -	\$ -	\$ 198,275	\$ 1,465,288
Increase (decrease) in contracts payable for capitall items	\$ (100,858)	\$ -	\$ -	\$ -	\$ (100,858)	\$ 48,849
Deferred bond cost included with bonds payable	\$ 13,372	\$ -	\$ -	\$ -	\$ 13,372	\$ 9,485
Reduction in postclosure care estimate	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 1,252,526

The accompanying notes are an integral part of the financial statements

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014**

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 revised and applied to governmental units. KRS 91A.020 requires Kentucky cities to comply with governmental GAAP standards.

A. Government-wide Statements

The government-wide statements include the statement of net position and the statement of activities and report all activities of the primary government and its component units. Fiduciary funds are not included in the government-wide statements since these resources are not available to finance the City's programs. Most interfund activity has been eliminated from the government-wide statements, summarizing the details reported in the fund statements.

B. 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 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.

Blended component units. The Georgetown Municipal Water and Sewer Service (GMWSS) has been blended with the City's other enterprise funds. This organization's activities have been blended because the City approves the utility rate structure and the GMWSS budget, plus the City is ultimately responsible for the GMWSS outstanding debt. A copy of the separate GMWSS financial statements may be obtained from the Finance Director of the Georgetown Municipal Water and Sewer System.

The Business Park Development Authority has also been blended with the City's governmental funds. This organization's activities have been blended because the City provides all the financial administration for the Park, issues and repays debt associated with the project, and appoints the Board of Directors.

C. Basis of Presentation

Government-wide Financial Statements

The government-wide statements and the proprietary fund financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental activities reflect those programs and services that are supported by taxes, intergovernmental revenues, and charges for services. *Business-type activities*, on the other hand, are financed primarily with user fees designed to recover all costs of services, including capital. These two types of services are reported separately in the government-wide statements to distinguish how the City's programs are financed. The City of Georgetown has no discretely presented component units, so all funds are included in the primary government totals.

The governmental statement of activities presents a unique format for the "operating" statement in the government-wide section of the report. This statement is focused on the program perspective to demonstrate the level of funding provided directly by program revenues. *Direct expenses* are those that are clearly identified with a specific program or function. *Program revenues* include direct charges to customers as well as grants and contributions that are restricted to meeting the operation or capital requirements for that program. Taxes and other sources that are available for all programs are reported as *general revenues*.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements report detailed information about the City. Fund statements are grouped into three sections—governmental, proprietary, and fiduciary funds. Fiduciary fund information is not included in the government-wide statements. Fund information is reported using separate columns for each major fund within the governmental and proprietary categories. Nonmajor governmental funds are reported in a single column with details in combining statements included in the Other Supplementary Information section of this report.

In the fund financial statements, balances are presented with a current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Governmental Funds

The City of Georgetown only reports the General Fund as major in the governmental fund statements. Nonmajor governmental funds include the following:

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.

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.

The **Business Park Fund** accounts for the receipts and disbursements of resources used in acquisition of land and construction of infrastructure to develop the Lane's Run Business Park, which will enable new businesses to locate in the City.

The **Drug Forfeiture Fund** accounts for funds received from federal and state courts related to property seized in drug crimes. These funds are to be used to investigate and prevent further drug related crimes.

The **State and Federal Grants Fund** accounts for the receipt and disbursement of grant programs financed with grants from the federal government and the Commonwealth of Kentucky.

The **Capital Projects Fund** accounts for the acquisition or construction of capital assets. The accumulation of resources for, and the payment of, the costs of the acquisition or construction of capital assets are held in the fund until the assets are placed in service.

The **Cemetery Trust Fund** holds the funds required to be held in trust for the benefit of the Georgetown Cemetery.

The **Alcohol Fund** accounts for funds received from alcoholic beverage regulatory fees. These funds are to be used to reimburse the City for the estimated costs of police, regulatory, and administrative expenses related to the sale of alcoholic beverages in the City.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (continued)

Fund Financial Statements

Proprietary Funds

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 major proprietary funds:

The **Georgetown Municipal Water and Sewer Funds** accounts for the water and sewer treatment plants operated by GMWSS.

The **Environmental Services Fund** accounts for the activities associated with garbage collections from City residents and businesses as well as recycling and stormwater management programs.

The **Landfill Fund** accounts for the sale of the Double Culvert Landfill (closed in 1992) and the cost associated with postclosure care for the Sims Road Landfill (closed in 1997).

The **Cemetery Fund** accounts for the operation and maintenance of the City's Cemetery.

E. Assets, Liabilities, and Net Position

Cash and Investments

For the purposes of the proprietary funds', 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.

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, certificates of deposit, Commonwealth of Kentucky obligations, certain mutual funds, state or local government securities with ratings in the three highest categories of a national rating agency, repurchase agreements backed by U.S. Treasury obligations, and the Commonwealth's Investment Pool.

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. Investments consist of certificates of deposit and mutual funds held by the Cemetery Trust Fund.

Receivables and Payables

Balances for activity between funds that represent temporary transfers of resources are reported as "due to/from other funds". The City of Georgetown maintains a single operating checking account, collecting and disbursing all fund operating transactions, except GMWSS transactions, from that account. Due to/from other fund balances in the governmental and city proprietary funds represent that fund's share of cash in the general operating account or amounts due to the General Fund for net disbursements on behalf of that fund.

All proprietary fund and property tax receivables are shown net of an allowance for estimated uncollectible accounts. The allowance for utility accounts is based upon historical trends and the periodic aging of accounts receivable. The General Fund's property tax receivable is reported net of allowance for uncollectible based on all outstanding amounts for tax years prior to 2013. Liens have been filed on these properties for all unpaid property taxes. At June 30, 2014, the allowance for doubtful accounts totaled \$94,254 for governmental activities and \$26,614 for business-type activities. The business-type activities allowance consists of \$16,614 for GMWSS and \$10,000 for the Cemetery Fund.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Net Position (continued)

Notes Receivable

The City has entered into an agreement to sell its landfill to a private company. The company issued a note due on or before December 15, 2016.

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.

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 Position. 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.

Capital Assets

Capital assets, including land, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City of Georgetown capitalizes assets that cost more than \$2,500 and have a useful life of three years or more. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of contribution.

Normal maintenance and repairs expenditures are not capitalized unless these costs add to the value of the asset or extend the estimated useful life.

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 in the same manner as in the government-wide statements.

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 Position. Depreciation is provided over the asset's estimated useful lives, using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings	15-40 years
Infrastructure	20-50 years
Improvements	15-40 years
Utility plant	15-20 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, as the amount is minimal.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Net Position (continued)

Long-Term Liabilities

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

Fund Balance Classifications

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified as nonspendable or spendable, with balances reported as restricted, committed, assigned or unassigned. Restricted amounts are based on constraints imposed by contracts, regulations, or enabling legislation. The City of Georgetown classifies resources as committed if the City Council imposes constraints by ordinance for specific purposes. Funds may be assigned by the Council, Mayor or Finance Director, with approval by the Mayor and notice to Council, for specific purposes. In the event that the annual adopted budget authorizes the use of available fund balance for the subsequent year's appropriations, this decrease in fund balance is classified as assigned. This assignment shall expire on June 30th of the following fiscal year.

F. Revenues, Expenditures and Expenses

Program Revenues

Amounts reported as *program revenues* include customer user fees for goods or services provided by the City of Georgetown. In addition, operating or capital grants and contributions are classified as *program resources* if those grants are restricted to the specific purpose of those programs or functions. *General revenues* include all taxes, investment income, other sources, and transfers between governmental and proprietary funds.

Property Tax Revenues

Property taxes are levied based on property assessed values and ownership as of January 1 each year. Tax rates are levied, in accordance with prescribed procedures in KRS Chapter 132, in September each year for the fiscal year ended June 30. Bills are issued in October and become delinquent if unpaid on January 1 of the following calendar year. Property taxes remaining unpaid on May 31 are secured by liens on applicable properties. Penalties and interest begin accruing on January 1 until paid.

Compensated Absences

City of Georgetown employees are allowed to accumulated unused vacation and sick leave, subject to maximum amounts for carryover to subsequent years. Employees who have completed their initial probation period are paid for all accrued but unused vacation leave upon termination, resignation, or retirement. Employees are not paid for unused sick leave upon termination of employment. However, employees may use unpaid sick leave to purchase additional service credits with the Kentucky Retirement System upon retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Amounts expected to be paid within one year are recognized in the governmental funds.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenues, Expenditures and Expenses (continued)

Definitions for Operating and Nonoperating Revenues and Expenses

Proprietary funds report *operating* revenues and expenses separately from *nonoperating* items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with the primary ongoing operations. Operating revenues include customer fees and charges, connection fees, and local government funding for shared services. Investment income, as well as the interest on a note receivable for the sale of the landfill, is reported as nonoperating revenue. Operating expenses for the City's proprietary funds include costs of sales and services, administrative expenses, and depreciation on capital assets.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. As a result, actual results could differ from estimated amounts.

I. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 18, 2015, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2014, have not been evaluated by the City.

2. CASH AND INVESTMENT POLICIES

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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the City's policy requires a collateralized level of 105% of market value, plus accrued interest.

At June 30, 2014, the City had \$12,840,939 in financial institutions, of which \$1,157,811 was insured by FDIC. The City had \$12,615,670 in collateral pledged to secure the remaining deposits. In addition, all of the GMWSS funds were fully insured or collateralized.

Interest Rate Risk

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

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 collateralized investments and demand deposit accounts, no more than 50% of the total investment portfolio shall be invested in a single financial institution.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

3. INVESTMENTS

The City's investments at June 30, 2014, are as follows:

<u>Type of Investments</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 – 5 Years</u>
Governmental activities:			
Certificates of deposit	\$ 1,128,055	\$ 470,238	\$ 657,817
Money market/mutual funds	<u>324,441</u>	<u>324,441</u>	<u>-</u>
Total governmental activities	<u>\$ 1,452,496</u>	<u>\$ 794,679</u>	<u>\$ 657,817</u>
Business-type activities:			
Certificates of deposit	<u>\$ 1,125,638</u>	<u>\$ -</u>	<u>\$ 1,125,638</u>

4. NOTES 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 in lieu of the host fee allowable to county governments under KRS 68.178. In October 2012, an addendum agreement ("Agreement") was executed modifying the original sales contract. The Agreement called for payment to the City of the unpaid balance of the original note of \$3,058,048, plus interest of 5% per annum from April 1, 2011, until paid in full. At a minimum, the purchasing Company is required to make minimum installment lump sum payments of \$600,000 to the City at the time of execution and on or before December 15th of each year thereafter. In addition to the minimum payments, the Company is required to make additional cash payments quarterly, and the Company receives credit for certain tipping fees and demolition costs, as outlined in the Agreement. The principal balance outstanding on the contract at June 30, 2014, was \$1,886,218. Subsequent to year-end, the City collected the outstanding balance in full from the purchasing Company.

5. CAPITAL ASSETS

A summary of the Primary Government's capital asset activity during the fiscal year follows:

	<u>July 1, 2013</u>			<u>June 30, 2014</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental activities:				
Capital assets not depreciated				
Land	\$ 10,224,456	\$ 485,024	\$ (95,894)	\$ 10,613,586
Construction in progress	<u>77,246</u>	<u>537,033</u>	<u>(77,246)</u>	<u>537,033</u>
Total	<u>10,301,702</u>	<u>1,022,057</u>	<u>(173,140)</u>	<u>11,150,619</u>
Capital assets being depreciated				
Buildings	27,226,194	77,246	-	27,303,440
Vehicles	4,314,582	822,968	(552,985)	4,584,565
Equipment	5,787,482	201,189	(12,895)	5,975,776
Infrastructure	<u>79,413,033</u>	<u>277,517</u>	<u>-</u>	<u>79,690,550</u>
Total	<u>116,741,291</u>	<u>1,378,920</u>	<u>(565,880)</u>	<u>117,554,331</u>
Accumulated depreciation	<u>(48,163,173)</u>	<u>(3,519,895)</u>	<u>513,677</u>	<u>(51,169,391)</u>
Governmental activities capital assets, net	<u>\$ 78,879,820</u>	<u>\$ (1,118,918)</u>	<u>\$ (225,343)</u>	<u>\$ 77,535,559</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

5. CAPITAL ASSETS (CONTINUED)

Business-type activities:	July 1, 2013 Balance	Additions	Retirements	June 30, 2014 Balance
Capital assets not depreciated				
Land	\$ 3,178,280	\$ 17,442	\$ -	\$ 3,195,722
Construction in progress	<u>368,883</u>	<u>4,430,198</u>	<u>(3,731,722)</u>	<u>1,067,359</u>
Total	<u>3,547,163</u>	<u>4,447,640</u>	<u>(3,731,722)</u>	<u>4,263,081</u>
Capital assets being depreciated				
Land improvements	19,562	-	-	19,562
Buildings	6,423,855	-	-	6,423,855
Vehicles	2,501,478	90,196	(59,504)	2,532,170
Equipment	2,429,293	48,577	(29,873)	2,447,997
Utility Plant	<u>137,069,023</u>	<u>4,871,587</u>	<u>-</u>	<u>141,940,610</u>
Total	<u>148,443,211</u>	<u>5,010,360</u>	<u>(89,377)</u>	<u>153,627,275</u>
Accumulated depreciation	<u>(62,103,491)</u>	<u>(3,407,791)</u>	<u>88,379</u>	<u>(65,422,903)</u>
Business-type activities capital assets, net	<u>\$ 89,886,883</u>	<u>\$ 6,050,209</u>	<u>\$ (3,732,720)</u>	<u>\$ 92,204,372</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 523,597
Public Protection	
Police	275,525
Fire Protection	237,449
Telecommunications	32,885
Building Inspection	6,146
Public Works	<u>2,444,293</u>
	<u>\$ 3,519,895</u>

6. LEASE OBLIGATIONS

The City has entered into agreements to construct buildings, develop an industrial park, and acquire various other properties 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 interest rates on all of these leases are variable-rates that adjust weekly based on the lowest rate that in the opinion of the Remarketing Agent would enable them to remarket the bonds at par for the week.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

7. LONG-TERM DEBT

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

Governmental Activities

Governmental long-term debt includes capital leases discussed in Note 7 above and compensated absences discussed in Note 1.

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 is transferred to the City.	\$ 722,072
20-year capital lease for the construction of a swimming pool and aquatics center. Interest is based on a variable rate. The lease expires January 2026, at which time the title to the swimming pool and aquatics center is transferred to the City.	1,916,513
25-year capital lease for the refinancing of various City projects. Interest is based on a variable rate. The lease expires September 2033, at which time title to the leasehold improvements of the projects will be transferred to the City.	8,617,736
3-year promissory note for the purchase of 55 sets of fire gear equipment. Interest is a fixed rate of 3.1%. The note matures on November 20, 2016 and is due in monthly payments of \$2,684. The fire gear is pledged as collateral on the note. Subsequent to year-end, the City paid off the promissory note in full.	74,845
4-year promissory note for the purchase of 17 police cruisers and equipment. Interest is a fixed rate of 2.5%. The note matures on November 15, 2016 and is due in four equal annual installments of \$143,398. The police cruisers and equipment are pledged as collateral on the note. Subsequent to year-end, the City paid off the promissory note in full.	<u>409,264</u>
Total governmental activity debt	<u>\$ 11,740,430</u>

The changes in long-term debt during the fiscal year ended June 30, 2014, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Capital leases	\$ 11,721,759	\$ -	\$ 465,438	\$ 11,256,321	\$ 484,376
Note payable	539,000	92,110	147,001	484,109	163,344
Compensated absences	<u>647,048</u>	<u>94,520</u>	<u>-</u>	<u>741,568</u>	<u>88,988</u>
Total Governmental	<u>\$ 12,907,807</u>	<u>\$ 186,630</u>	<u>\$ 612,439</u>	<u>\$ 12,481,998</u>	<u>\$ 736,708</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

7. LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal, interest and fees for capital leases and notes payable as of June 30, 2014, are as follows:

	Principal	Interest	Fees	Total
2015	\$ 647,720	\$ 22,420	\$ 213,904	\$ 884,044
2016	671,395	17,648	205,355	894,398
2017	677,564	12,885	195,483	885,932
2018	545,601	8,736	185,691	740,028
2019	567,781	8,225	175,480	751,486
2020 – 2024	3,203,017	32,706	710,125	3,945,848
2025 – 2029	2,899,442	17,923	405,018	3,322,383
2030 – 2034	<u>2,527,910</u>	<u>5,183</u>	<u>126,205</u>	<u>2,659,298</u>
	<u>\$ 11,740,430</u>	<u>\$ 125,726</u>	<u>\$ 2,217,261</u>	<u>\$ 14,083,417</u>

Business-type Activities

Business-type activities include GMWSS, Environmental Services, Landfill, and Cemetery Operating Funds. Revenue bonds are obligations of GMWSS. Compensated absences are obligations of several funds.

	Interest Rate	Final Maturity	Outstanding Principal
Revenue bonds:			
Water and Sewer, Series 2013A	2.00-4.125%	2023	\$ 4,610,000
Water and Sewer, Series 2013B	2.00-3.500%	2014	2,370,000
Water and Sewer, Series 2007A	4.00-4.375%	2027	5,141,750
Bond premium			<u>27,397</u>
Total revenue bonds			<u>12,149,147</u>
Other long-term obligations:			
Compensated absences—GMWSS			351,904
Compensated absences—Environmental Services			29,731
Compensated absences—Cemetery Operations			<u>14,337</u>
Total obligations			<u>12,545,119</u>
Less current portion of Revenue bonds			<u>760,417</u>
Total long-term obligations			<u>\$ 11,784,702</u>

The changes in long-term debt during 2014 are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$ 8,651,265	\$ 7,437,397	\$ 3,939,515	\$ 12,149,147	\$ 760,417
Notes payable	1,229,324	-	1,229,324	-	-
Landfill postclosure care	3,000,000	-	3,000,000	-	-
Compensated absences	<u>468,030</u>	<u>23,100</u>	<u>11,094</u>	<u>480,036</u>	<u>84,064</u>
Total Proprietary	<u>\$13,348,619</u>	<u>\$ 7,460,497</u>	<u>\$ 8,179,933</u>	<u>\$ 12,629,183</u>	<u>\$ 844,481</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

7. LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES (continued)

The annual debt service requirements to maturity, including principal and interest for bonds as of June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 760,417	\$ 411,875	\$ 1,172,292
2016	773,417	392,758	1,166,175
2017	796,833	373,092	1,169,925
2018	816,250	351,906	1,168,156
2019	841,250	329,121	1,170,371
2020-2024	4,324,250	1,235,248	5,559,498
2025-2029	2,579,333	519,519	3,098,852
2030-2033	<u>1,230,000</u>	<u>132,513</u>	<u>1,362,513</u>
	<u>\$ 12,121,750</u>	<u>\$ 3,746,032</u>	<u>\$ 15,867,782</u>

Description of Bonds—

2007A Kentucky Rural Water Finance Corporation Bonds

The Kentucky Rural Water Finance Corporation Water and Sewer Revenue Bonds, Series of 2007A are secured by a pledge of all system gross income and revenues. The bonds are subject to redemption prior to maturity at various times, along with a call premium, as more fully described in the ordinance.

2013A Revenue Bonds and 2013B Refunding Revenue Bonds

During 2014 the City of Georgetown sold \$4,775,000 of Water and Sewer Revenue Bonds, Series 2013A and \$2,675,000 of Water and Sewer Refunding Revenue Bonds, Series 2013B. The Bonds are secured by gross revenues of the System as more fully described in the ordinance.

The Series 2013A Bonds were issued for the purposes of: (a) acquiring, constructing and installing major new water and sanitary sewer (wastewater) service facilities constituting part of the System, including (i) the acquisition, expansion and improvement of the Mallard Point Wastewater Collection System; and (ii) the acquisition, construction and installation of new wastewater pumping facilities and wastewater lines; (b) paying and discharging the 2009 Note; (c) funding a debt service reserve; and (d) paying costs of issuance of the Series 2013A Bonds.

The Series 2013B Bonds are being issued for the purposes of: (a) refunding, redeeming and discharging the City's Water and Sewer Revenue Bonds, Series 2003A; (b) funding a debt service reserve; and (c) paying costs of issuance of the Series 2013B Bonds. As a result of the Series 2003A bonds were currently refunded. As a result of the current refunding the Water and Sewer Service reduced debt service by \$531,377 over the next 10 years. The present value of the cash flow savings and economic gain was \$456,925.

The bond 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. The balance in the reserve was \$951,346 at June 30, 2014. This reserve was fully funded at June 30, 2014.

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. The balance in the reserve was \$1,393,469 at June 30, 2014.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014**

8. 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, 2014, for Revenue Bonds and for Industrial Bonds is not available.

9. RETIREMENT PLAN

The City of Georgetown is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2014, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's wages for non-hazardous classifications and 35.70% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 3,461,386	100%
2013	\$ 3,409,993	100%
2012	\$ 3,093,454	100%

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

10. INTERFUND RECEIVABLES/PAYABLES

Interfund receivable and payable balances as of June 30, 2014, were as follows:

Fund	Receivable	Payable
General Fund	\$ 116,965	\$ -
Municipal Aid	1,040,647	-
LGEA	52,173	-
Drug Forfeiture	145,269	-
Business Park	51,464	-
Federal & State Grants	12,648	-
Cemetery Perpetual Care	69,895	-
Capital Projects	-	339,315
Alcohol	-	197,301
Environmental Services	498,877	-
Landfill	-	1,440,513
Cemetery Operations	<u>-</u>	<u>10,809</u>
Total	<u>\$ 1,987,938</u>	<u>\$ 1,987,938</u>

The City generally maintains one checking account for which all receipts are deposited and disbursement are made. Any deposits or disbursements for funds other than the general fund are processed through the interfund receivable/payable accounts. Amounts due from the Landfill Fund represent amounts due to the General Fund as a result of purchases of land in prior years.

11. TRANSFERS

The following operating transfers were made during the year:

Fund	Transfers In	Transfers Out
General Fund	\$ 837,580	\$ 750,661
Cemetery Perpetual Care	20,916	6,009
Capital Projects	609,205	-
Environmental Services	96,734	450,000
Federal & State Grants	763	-
Landfill	-	387,580
Cemetery Operations	<u>49,968</u>	<u>20,916</u>
Total	<u>\$ 1,615,166</u>	<u>\$ 1,615,166</u>

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

- The transfer to the Cemetery Operations 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.
- In addition, the Perpetual Care Fund transfers investment earnings to the Operating Fund to cover maintenance costs. Transfers to the Perpetual Care Fund represent required reserves from lot sales to be maintained in the Perpetual Care Fund in accordance with KRS.
- The transfer to the Environmental Services Fund was to fund stormwater projects.
- The transfer to the Capital Projects Fund was to fund capital projects.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

11. TRANSFERS (CONTINUED)

- The transfer to the General Fund was to reimburse the General Fund for prior purchases of Herbies and for capital expenditures.

12. FUND BALANCES

As described in Note 1, fund financial statements report governmental fund equity as fund balance. Fund balance is classified as nonspendable or spendable, with balances reported as restricted, committed, assigned or unassigned. As of June 30, 2014, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
MAP fund	\$ -	\$ 1,101,091	\$ 1,101,091
LGEA fund	-	56,927	56,927
Drug forfeiture	-	235,774	235,774
Cemetery perpetual care	-	664,144	664,144
Gus Wolf reserve	5,589	-	5,589
Aquatic Center escrow	71,361	-	71,361
Street light deposits	<u>334,828</u>	<u>-</u>	<u>334,828</u>
Total Restricted	<u>411,778</u>	<u>2,057,936</u>	<u>2,469,714</u>
Assigned:			
Business park	-	51,464	51,464
Alcohol-related operations	-	152	152
Capital projects	-	216,308	216,308
2015 budget allocations	<u>1,743,750</u>	<u>-</u>	<u>1,743,750</u>
Total Assigned	<u>1,743,750</u>	<u>267,924</u>	<u>2,011,674</u>
Unassigned	<u>8,533,825</u>	<u>-</u>	<u>8,533,825</u>
Total fund balances	<u>\$ 10,689,353</u>	<u>\$ 2,325,860</u>	<u>\$ 13,015,213</u>

13. RELATED ORGANIZATIONS

The City of Georgetown provides financial support for a variety of local organizations. With the exception of Scott United, Historic Georgetown and the Chamber of Commerce, the following agencies are subject to an interlocal agreement with Scott County for joint funding of these operations. Scott County manages the Ambulance, Disaster & Emergency Services, Electrical Inspection, Animal Shelter, and the E911 Billing. The City operates Building Permits, CMRS programs, Code Enforcement, Recycling and Cemetery. Each government bills the other for one-half of the net operating costs. Parks & Recreation and the Planning & Zoning agencies are managed by separate boards with operating costs shared by the City and County. The Revenue Commission is managed by a separate board with the City, County and Board of Education providing funding.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

13. RELATED ORGANIZATIONS (CONTINUED)

The City has contributed the following amounts to these organizations.

Georgetown/Scott County Parks & Recreation	\$	791,718
Georgetown/Scott County Planning & Zoning		368,381
Georgetown/Scott County Ambulance		1,579,728
Georgetown/Scott County Disaster & Emergency Services		154,327
Georgetown/Scott County Senior Citizens		97,000
Georgetown/Scott County Electrical Inspection		116,228
Georgetown/Scott County Animal Shelter		162,105
Georgetown/Scott County E911 Billing		33,987
Georgetown/Scott County Building Permit		130,201
Georgetown/Scott County CMRS		98,619
Georgetown/Scott County Code Enforcement		8,594
Georgetown/Scott County Museum		5,000
Georgetown/Scott County Revenue Commission		145,113
Scott United		31,000
Historic Georgetown		<u>42,750</u>
 Total Contributions	 \$	 <u><u>3,764,751</u></u>

14. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2014:

Governmental activities:

General fund

Police Department- construction services	\$	4,846,833
Police Department- architectural services		55,160
Fire Department- Fire Truck		<u>967,995</u>
Total		<u>\$ 5,869,988</u>

Municipal Aid Fund

Paving Projects		<u>\$ 610,236</u>
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Business-type activities:

Environmental Services

Stormwater design services		<u>\$ 55,000</u>
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The City is a defendant in other 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 affect the City's financial position.

The City entered into a \$3 million line of credit agreement with Kentucky Bank August 31, 2009, on behalf of the Water and Sewer Service for the purpose of financing wastewater improvements and additions. The line of credit was renewed during July 2014 at an interest rate of 2.75% and a maturity date of August 2016. At June 30, 2014, there was no balance due on the line of credit.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

15. CONTRIBUTED ASSETS

Contributed assets totaling \$356,527 have been reported in the accompanying statement of revenues, expenses, and changes in fund assets. These contributions include \$169,654 of water and sewer lines, which were constructed by developers and were contributed to the Water & Sewer Service and \$68,453 of cash contributions made by various state and local governments and developers. In addition, \$118,420 of capital contributions were received from a commercial customer. These funds were used to construct various water and sewer projects.

The City's governmental activities include \$277,517 of roads, sidewalks and storm sewers donated during the year.

16. ECONOMIC DEPENDENCE

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,256,165 (48.9%) of the City's license fees and permit revenue and \$83,398 (4%) of the City's property tax revenue. The total amount paid by these companies represents 37% of the General Fund revenues. In addition, they provided 10.7% of the operating revenue of GMWSS. Ten other customers accounted for 7.4% of the operating revenue of GMWSS.

17. LANDFILL POSTCLOSURE COST

The City no longer remains obligated for postclosure care and remediation at the Double Culvert landfill. During the current fiscal year, Double Culvert was fully transferred to Waste Services of the Bluegrass. Sims Road landfill is still the responsibility of the City, however, the city is not currently under a local, state, or federal regulation for landfill postclosure, therefore no liability has been recorded. The prior fiscal year liability was removed through the current year.

18. 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, 2014.

19. 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.

20. OPERATING LEASE

During 2009 the City entered into an agreement to lease "Cardome Center" to Cardome Academy Association for \$1. The term of the lease is for 25 years with the ability to renew up to an additional 49 years. Cardome Academy Association may terminate the lease at the end of the 2nd, 5th and 10th year. At the end of the lease all property will revert to the City. The Cardome Center assets are carried on the City's books, net of depreciation for \$2,828,822. Accumulated depreciation of \$1,947,336 has been charged through June 30, 2014.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

21. RESTATEMENT OF NET POSTION***Restatement of tipping fee credits on Landfill property sale note receivable***

During 2014, the City determined that the note receivable on the sale of the Landfill property was understated by certain tipping fee credits. The Agreement called for a tipping fee of \$12 per ton of waste, while the note receivable was outstanding. This rate is less than the permitted amount. The difference between the rates was to be credited to reduce notes receivable each year. The City was reducing the note receivable by the tipping fee credits; however, the purchaser was charging tipping fees at the maximum allowable amount rather than the reduced amount called for in the Agreement. Net Position has been restated to reflect the prior reduction in notes receivable as an amount still outstanding:

	2014
<u>Landfill Fund Net Position</u>	
Net position, at beginning of year	\$ 161,376
Tipping fee credits	<u>199,655</u>
Net position, at beginning of year, as restated	<u>\$ 361,031</u>

Implementation of new accounting standard GASB Statement No. 65

Effective July 1, 2013, the Water and Sewer Service implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a non-current asset on the statement of net position. Under GASB Statement No. 65, bond issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position, as follows:

	2014
<u>Municipal Water and Sewer Fund Net Position</u>	
Net position, at beginning of year	\$ 80,410,236
Bond issuance costs	<u>(131,279)</u>
Net position, at beginning of year, as restated	<u>\$ 80,278,957</u>

	2014
<u>Governmental Funds Net Position</u>	
Net position, at beginning of year	\$ 75,922,444
Bond issuance costs	<u>(145,394)</u>
Net position, at beginning of year, as restated	<u>\$ 75,777,050</u>

22. RECLASSIFICATIONS

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassifications had no effect on net income or fund balances.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

23. SUBSEQUENT EVENTS

Financial Reporting for Pension Plans

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The City is currently evaluating the effects of this statement on its financial statements. The City's potential unfunded liability, based on June 30, 2014 plan financial statements, is estimated to be \$28,325,000. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

Tax Incentive

In May 2013, the City approved a tax incentive under the Kentucky Job Retention Act for Toyota Manufacturing to begin an expansion that will bring the production of a Lexus model vehicle to the Georgetown plant and is estimated to bring on 750 new full-time, part-time, and temporary employees. The City will contribute one half of one percent of the payroll tax withholding for all full-time, Kentucky-resident, TMMK employees, beginning in FY 2016. The total contribution of the City over ten years will total \$14,650,000.

2014 General Obligation Bonds and 2014B Refunding Bonds

On May 19, 2014, the City of Georgetown authorized the sale of \$5,000,000 General Obligation Bonds, Series 2014. The Series 2014 Bonds are being issued for the purpose of financing the costs of the acquisition, construction, installation and equipping of a new police station. The Series 2014 Bonds were delivered on October 7, 2014.

On November 24, 2014, the City of Georgetown authorized the sale of \$8,550,000 General Obligation Refunding Bonds, Series 2014B. The Series 2014B Refunding Bonds are being issued for the purpose of refunding the City's outstanding lease agreements with the Kentucky League of Cities Funding Trust dated February 5, 2009. The Series 2014B Refunding Bonds were delivered on December 30, 2014.

SUPPLEMENTARY INFORMATION

CITY OF GEORGETOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
GENERAL FUND
for the year ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,935,000	\$ 2,035,000	\$ 2,103,564	\$ 68,564
Licenses, and permits	14,770,946	15,809,146	16,855,837	1,046,691
Charges for service	141,700	141,700	151,133	9,433
Fines	79,000	79,000	130,630	51,630
Intergovernmental	2,090,793	2,426,430	2,462,120	35,690
Investment income	5,000	5,000	5,547	547
Other revenue	<u>32,200</u>	<u>32,200</u>	<u>66,367</u>	<u>34,167</u>
 Total revenues	 <u>19,054,639</u>	 <u>20,528,476</u>	 <u>21,775,198</u>	 <u>1,246,722</u>
 Expenditures				
Current				
Administration	1,021,837	1,112,015	1,143,807	(31,792)
City Council	150,016	163,092	171,247	(8,155)
City Clerk	195,882	182,327	181,663	664
Police	4,739,869	4,139,131	4,223,068	(83,937)
Fire	4,511,583	4,613,852	4,761,598	(147,746)
Telecommunications	1,271,088	1,294,427	1,222,977	71,450
Code enforcement	66,099	69,099	66,432	2,667
Building inspection	338,835	344,766	349,774	(5,008)
Community development	3,774,266	3,859,970	3,756,157	103,813
Public works	1,047,534	1,084,812	1,071,706	13,106
Utilities	442,000	442,000	431,884	10,116
Capital outlay	1,379,272	2,373,575	1,483,700	889,875
Debt service	<u>782,293</u>	<u>782,293</u>	<u>796,507</u>	<u>(14,214)</u>
 Total expenditures	 <u>19,720,574</u>	 <u>20,461,359</u>	 <u>19,660,520</u>	 <u>800,839</u>
 Excess of Revenues over (under) Expenditures	 <u>(665,935)</u>	 <u>67,117</u>	 <u>2,114,678</u>	 <u>2,047,561</u>
 Other Financing Sources (Uses)				
Property sales	10,000	10,000	36,564	(26,564)
Loan proceeds	-	92,100	92,100	-
Transfers	<u>470,723</u>	<u>95,706</u>	<u>86,919</u>	<u>8,787</u>
	<u>480,723</u>	<u>197,806</u>	<u>215,583</u>	<u>(17,777)</u>
 Net change in fund balance	 (185,212)	 264,923	 2,330,261	 2,065,338
 Fund balance, beginning of year	 <u>8,359,092</u>	 <u>8,359,092</u>	 <u>8,359,092</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 8,173,880</u>	 <u>\$ 8,624,015</u>	 <u>\$ 10,689,353</u>	 <u>\$ 2,065,338</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
for the year ended June 30, 2014

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 the Statute, the following process is used to adopt the annual budget:

- A. The budget proposal is the responsibility of the Mayor and 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 that provides for appropriations to exceed available resources in any one fiscal year, which would also violate 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 KRS 91A.030.
- 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 operation budgets of governmental and proprietary 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 General Fund Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

CITY OF GEORGETOWN, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	Capital Projects Fund	Total	2013 Totals
ASSETS										
Cash and cash equivalents	\$ -	\$ 1,974	\$ -	\$ 96,464	\$ 269,808	\$ 97	\$ -	\$ 666,608	\$ 1,034,951	\$ 277,775
Investments	-	-	-	-	324,441	-	-	-	324,441	294,078
Accounts receivable:										
Intergovernmental	60,444	-	4,754	-	-	76,409	200,220	40,329	382,156	60,607
Other	-	-	-	-	-	-	-	-	-	76,200
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from other funds	1,040,647	51,464	52,173	145,269	69,895	12,648	-	-	1,372,096	776,161
Total Assets	\$ 1,101,091	\$ 53,438	\$ 56,927	\$ 241,733	\$ 664,144	\$ 89,154	\$ 200,220	\$ 706,937	\$ 3,113,644	\$ 1,484,821
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ 5,959	\$ -	\$ 66,083	\$ 2,767	\$ 151,314	\$ 226,123	\$ 14,149
Deferred revenue	-	-	-	-	-	23,071	-	-	23,071	17,653
Deposits	-	1,974	-	-	-	-	-	-	1,974	1,972
Due to other funds	-	-	-	-	-	-	197,301	339,315	536,616	53,809
Total Liabilities	-	1,974	-	5,959	-	89,154	200,068	490,629	787,784	87,583
FUND BALANCE										
Fund Balance										
Restricted	1,101,091	-	56,927	235,774	664,144	-	-	-	2,057,936	1,321,889
Assigned	-	51,464	-	-	-	-	152	216,308	267,924	75,349
Total Fund Balance	1,101,091	51,464	56,927	235,774	664,144	-	152	216,308	2,325,860	1,397,238
Total Liabilities and Fund Balance	\$ 1,101,091	\$ 53,438	\$ 56,927	\$ 241,733	\$ 664,144	\$ 89,154	\$ 200,220	\$ 706,937	\$ 3,113,644	\$ 1,484,821

CITY OF GEORGETOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2014

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	Capital Projects Fund	Total	2013 Totals
REVENUES										
Intergovernmental	\$ 673,322	\$ -	\$ 15,632	\$ 163,056	\$ -	\$ 97,007	\$ 750,305	\$ 97,756	\$ 1,797,078	\$ 709,362
Other income	-	-	-	-	-	-	-	-	-	5,039
Interest income	617	-	31	143	38,664	-	152	-	39,607	20,207
Total Revenues	<u>673,939</u>	<u>-</u>	<u>15,663</u>	<u>163,199</u>	<u>38,664</u>	<u>97,007</u>	<u>750,457</u>	<u>97,756</u>	<u>1,836,685</u>	<u>734,608</u>
EXPENDITURES										
Current										
Administration	-	-	-	-	2,687	-	25,596	-	28,283	2,332
Police	-	-	-	62,524	-	12,694	708,979	11,046	795,243	53,609
Fire	-	-	-	-	-	4,614	-	-	4,614	218
Community development	-	-	-	-	-	64,761	-	-	64,761	108,817
Recycling	-	-	-	-	-	-	-	-	-	-
Public works	95,103	-	261	-	-	15,680	-	-	111,044	418,217
Capital outlay	-	-	9,750	-	-	-	15,730	537,034	562,514	841,172
Debt Service	-	62,373	-	-	-	-	-	-	62,373	697,673
Total Expenditures	<u>95,103</u>	<u>62,373</u>	<u>10,011</u>	<u>62,524</u>	<u>2,687</u>	<u>97,749</u>	<u>750,305</u>	<u>548,080</u>	<u>1,628,832</u>	<u>2,122,038</u>
Excess of Revenues Over (Under) Expenditures	<u>578,836</u>	<u>(62,373)</u>	<u>5,652</u>	<u>100,675</u>	<u>35,977</u>	<u>(742)</u>	<u>152</u>	<u>(450,324)</u>	<u>207,853</u>	<u>(1,387,430)</u>
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	95,894	-	-	-	-	-	-	95,894	75,000
Bond proceeds	-	-	-	-	-	-	-	-	-	539,000
Transfers in (out)	-	-	-	-	14,907	763	-	609,205	624,875	1,065,173
	<u>-</u>	<u>95,894</u>	<u>-</u>	<u>-</u>	<u>14,907</u>	<u>763</u>	<u>-</u>	<u>609,205</u>	<u>720,769</u>	<u>1,679,173</u>
Net change in fund balances	578,836	33,521	5,652	100,675	50,884	21	152	158,881	928,622	291,743
Fund Balance, beginning of year	<u>522,255</u>	<u>17,943</u>	<u>51,275</u>	<u>135,099</u>	<u>613,260</u>	<u>(21)</u>	<u>-</u>	<u>57,427</u>	<u>1,397,238</u>	<u>1,105,495</u>
Fund Balance, end of year	<u>\$ 1,101,091</u>	<u>\$ 51,464</u>	<u>\$ 56,927</u>	<u>\$ 235,774</u>	<u>\$ 664,144</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 216,308</u>	<u>\$ 2,325,860</u>	<u>\$ 1,397,238</u>



Certified Public Accountants and Consultants

**INDEPENDENT AUDITORS' 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**

To the City Council
City of Georgetown, Kentucky

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Georgetown, Kentucky's basic financial statements, and have issued our report thereon dated May 18, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC

May 18, 2015