

**CITY OF GEORGETOWN**  
Georgetown, Kentucky

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**  
June 30, 2015

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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, 2015**

**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, 2015. 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](http://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 48 of this report. Some of the significant financial issues include:

- The implementation of GASB 68, which requires the City to record its portion of the liability for the state pension fund. This liability is reflected on the Government-Wide statements for the Governmental Funds and on both the Fund and Government-Wide statements for the business-type activities. It is due to the implementation of GASB 68 that the unrestricted portion of net assets is shown as a negative balance for both types of funds.
- During fiscal year 2015, the City issued two series of General Obligation Bonds. Series 2014 in the amount of \$5,000,000 was issued to fund the construction of the new Police Department, which was near completion at June 30, 2015. Series 2014B was issued to refinance variable rate debt as fixed rate debt in the amount of \$8,555,000.
- The City switched to a partially self-funded health insurance plan for the plan year beginning January 1, 2015. This should allow the City to save significant amounts on premiums by instead paying direct claims and stop-loss insurance.

**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 not reflect resources that are available for supporting future governmental services. The City's operating purpose is providing services, not accumulating net assets. The reduction in the City's unrestricted net assets is due to the new GASB 68 requirement to record the City's portion of the state pension fund's liability, which is reflected in the increase in "Other Liabilities" below.

The following table outlines a condensed version of the Statement of Net Position for June 30, 2015 and 2014.

**City of Georgetown  
Net Position  
June 30, 2015 & 2014**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current assets	\$ 13,557,968	\$14,707,157	\$ 2,877,149	\$ 1,062,917	\$ 16,435,117	\$ 15,770,074
Capital assets	79,390,991	77,535,559	90,329,588	92,204,372	169,720,579	169,739,931
Other assets	5,752,681	702,502	4,376,325	4,893,564	10,129,006	5,596,066
Deferred Outflows of Resources	1,325,746	1,351,983	462,370	484,038	1,788,116	1,836,021
<b>Total assets</b>	<b>100,027,386</b>	<b>94,297,201</b>	<b>98,045,432</b>	<b>98,644,891</b>	<b>198,072,818</b>	<b>192,942,092</b>
Long-term debt outstanding	15,238,255	11,745,290	10,614,303	12,149,147	25,852,558	23,894,437
Other liabilities	18,318,227	19,297,907	7,279,487	7,091,032	25,597,714	26,388,939
Deferred Inflows of Resources	1,176,549	-	432,251	-	1,608,800	-
<b>Total liabilities</b>	<b>34,733,031</b>	<b>31,043,197</b>	<b>18,326,041</b>	<b>19,240,179</b>	<b>53,059,072</b>	<b>50,283,376</b>
Net position:						
Net invested in capital assets	63,531,066	65,795,129	79,413,698	80,055,225	142,944,764	145,850,354
Restricted	3,855,439	2,469,714	3,597,810	2,703,099	7,453,249	5,172,813
Unrestricted	(2,092,150)	(5,010,839)	(3,292,117)	(3,353,612)	(5,384,267)	(8,364,451)
<b>Total net position</b>	<b>\$ 65,294,355</b>	<b>\$63,254,004</b>	<b>\$79,719,391</b>	<b>\$79,404,712</b>	<b>\$ 145,013,746</b>	<b>\$ 142,658,716</b>

Governmental current assets decreased \$1,149,189 mainly due to the decrease of internal balances between funds, which are now reflected as cash in their respective funds. Capital Assets and Other Assets increased mainly due to restricted cash and construction in progress for the New Police Department. Long-term governmental liabilities increased due to the issuance of new General Obligation bonds and the GASB 68 requirement to record the City's portion of the state pension fund's liability. Deferred Outflows and Inflows are new categories related to the same GASB 68 requirement. Other liabilities increased mainly due to higher vouchers payable and higher accrued payroll. Restricted resources in the governmental funds include restricted cash in the General Fund, MAP, LGEA, Cemetery Perpetual Care, Capital Projects Fund, and Drug Forfeiture resources.

Current asset balances in the business-type activities increased \$1,814,232 mainly due to increased cash balances of over \$1,000,000 and the reduction of internal balances between funds. Current liabilities stayed relatively constant and long-term debt decreased due to payments on debt. Liabilities and deferred inflows were added for the GASB 68 requirement to record the City's portion of the state pension fund's liability.

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 2015 and 2014 fiscal years.

**City of Georgetown**  
**Operating Results for the Years Ended June 30, 2015 & 2014**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for service	494,383	419,000	13,331,418	12,524,006	13,825,801	12,943,006
Grant funding	3,068,086	3,168,616	188,086	173,875	3,256,172	3,342,491
<b>General revenues:</b>						
Property taxes	1,985,386	2,003,923	-	-	1,985,386	2,003,923
License fees and permits	1,887,309	1,539,154	-	-	1,887,309	1,539,154
Occupational license fees	15,422,625	13,392,970	-	-	15,422,625	13,392,970
Insurance premium tax	2,292,581	2,406,151	-	-	2,292,581	2,406,151
Telecommunications excise tax	99,632	99,641	-	-	99,632	99,641
Interest and investment earnings	21,093	45,154	72,253	118,885	93,346	164,039
Fines and reimbursements	161,494	130,630	-	-	161,494	130,630
Other local revenues	48,741	66,367	-	-	48,741	66,367
<b>Total revenues</b>	<b>25,481,330</b>	<b>23,271,606</b>	<b>13,591,757</b>	<b>12,816,766</b>	<b>39,073,087</b>	<b>36,088,372</b>
<b>Program Expenses:</b>						
General government	2,020,112	2,077,109	-	-	2,020,112	2,077,109
<b>Public protection</b>						
Police	5,148,894	5,314,368	-	-	5,148,894	5,314,368
Fire	5,062,354	5,017,519	-	-	5,062,354	5,017,519
Telecommunications	1,125,030	1,268,219	-	-	1,125,030	1,268,219
Building inspection	349,632	365,405	-	-	349,632	365,405
Community Development	4,334,405	3,820,918	-	-	4,334,405	3,820,918
Codes Enforcement	68,708	66,432	-	-	68,708	66,432
<b>Public works</b>						
Road maintenance	4,607,631	4,057,360	-	-	4,607,631	4,057,360
Water & sewer treatment	-	-	11,423,958	11,018,955	11,423,958	11,018,955
Garbage collection	-	-	1,516,885	1,497,666	1,516,885	1,497,666
Recycling services	-	-	239,726	248,559	239,726	248,559
Stormwater management	-	-	140,782	96,733	140,782	96,733
Landfill postclosure care	-	-	106,026	-	106,026	-
<b>Cemetery:</b>						
Operations	-	-	266,452	257,842	266,452	257,842
Perpetual care	-	-	-	-	-	-
Interest on long-term debt	578,905	242,799	-	-	578,905	242,799
<b>Total expenses</b>	<b>23,295,671</b>	<b>22,230,129</b>	<b>13,693,829</b>	<b>13,119,755</b>	<b>36,989,500</b>	<b>35,349,884</b>
<b>Excess (deficiency) before transfers and special items</b>						
	2,185,659	1,041,477	(102,072)	(302,989)	2,083,587	738,488
Gain(Loss) on disposal of property	(167,019)	(15,639)	-	(998)	(167,019)	(16,637)
Capital contributions	160,867	617,785	277,595	356,527	438,462	974,312
Reduction of Postclosure Care Estimate	-	-	-	2,801,695	-	2,801,695
Transfers	(139,156)	711,794	139,156	(711,794)	-	-
Prior period adjustment	-	-	-	-	-	-
<b>Net increase (decrease) in net position</b>	<b>2,040,351</b>	<b>2,355,417</b>	<b>314,679</b>	<b>2,142,441</b>	<b>2,355,030</b>	<b>4,497,858</b>

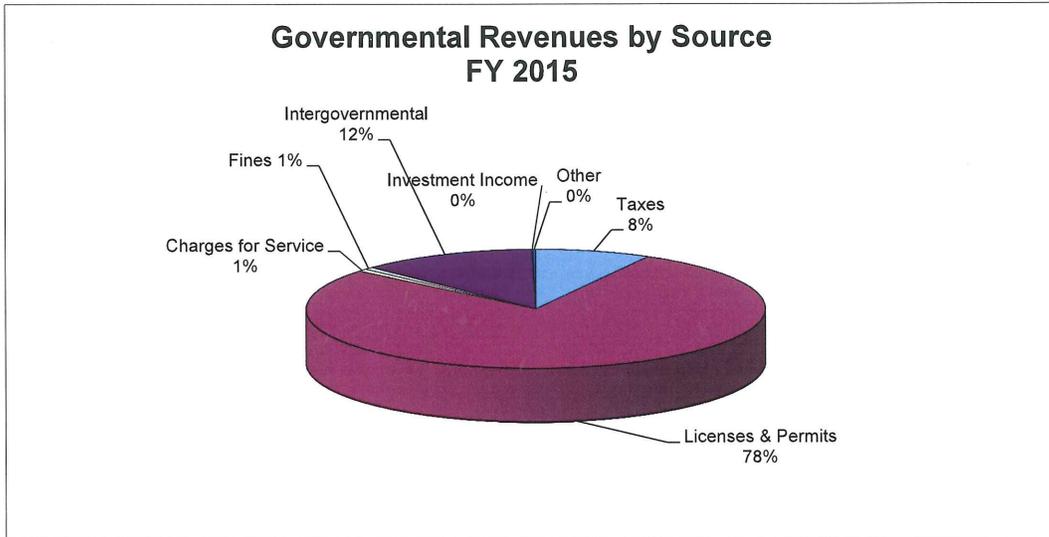
The City saw a significant increase in revenue in FY 2015, primarily from increases in Occupational License Fees and License Fees & Permits including Alcohol Regulatory Fees. Revenues for business-type activities increased during FY15 due to increases in Charges for Service, which includes Water, Sewer, and Sanitation service fees.

On the other side of the City's ledger, governmental operating costs increased due to rising salary and benefit costs, as well as continued efforts to upgrade equipment and provide necessary services for citizens. Transfers from the business-type activities to reimburse the governmental activities were continued in the amount of \$56,651, which pays the amount owed to the General Fund in full. The operating costs for business-type activities also stayed relatively consistent compared to FY2014, with the main increases due to the operation of the Water & Sewer services and continued leachate costs for the Landfill.

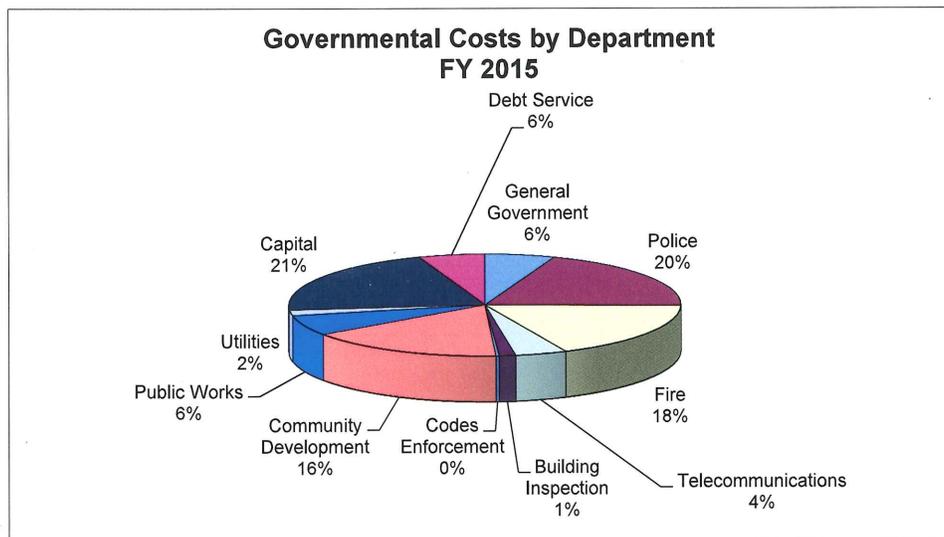
**Fund Financial Statements**

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.

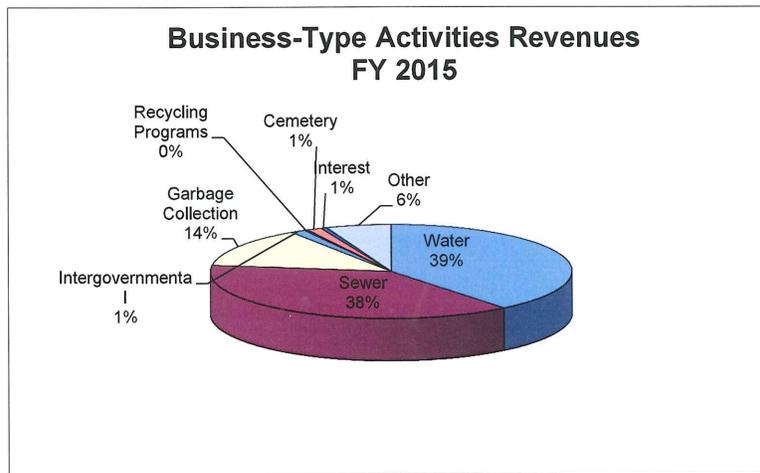
- Governmental Funds.** The City's governmental funds include the General Fund and several special revenue funds, including the Municipal Aid, Local Government Economic Assistance, grants, and the Cemetery perpetual trust fund. The primary source of revenue in the General Fund includes the occupational license fee (80%) on businesses and their employees. Taxes provide another 9% and intergovernmental revenues are 10% of the total governmental resources. Details about individual funds are reported on pages 11 - 13 and 45 - 46 of this report.



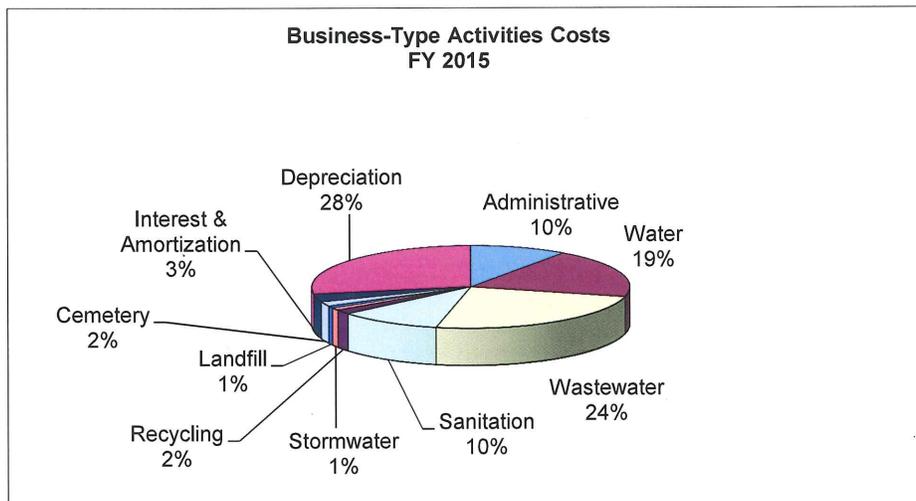
Governmental expenditures include basic services such as police, fire, road maintenance, building inspection, and telecommunications/911. The following chart highlights the allocation among major categories. Community Development includes parks, planning and zoning, and the City's portion of inter-local departments such as ambulance services, emergency management, and electrical inspection. More details about the individual departments are reported on pages 13 and 46 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. In FY 2015, \$191,980 was transferred from the General Fund to the Environmental Services Fund and \$48,637 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 for the General Fund is presented on page 39 of this report. Total revenues for the year were \$3,987,600 more than budgeted, and expenditures were \$1,081,679 less than budgeted to provide a net positive budget variance of \$4,386,142 for the year after accounting for other financing sources and uses. All revenue categories exceeded budget expectations. Expenditures varied from department to department, but remained under budget across all departments as indicated above.

The original budget for FY 2015 projected to use approximately \$1.584 million of prior year revenues in the General Fund to fund one time capital projects. The City continues to see increased revenues from Occupational License Fees and has worked to maintain a balanced budget in the current fiscal year. A mid-year budget amendment to incorporate one-time net profits revenue balanced the budget to a positive revenue amount of \$342,000, without the need to use prior year revenues.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Infrastructure contributions from developers resulted in \$64,458 of new sidewalks, streets, and storm sewer infrastructure. Depreciation expense for governmental assets totaled \$3.438 million while asset purchases totaled \$1,528,931. The City also has Construction in Progress of \$4,519,695 mainly for construction of a new Police Department, as well as improvements to the City Hall parking lot and the reconstruction of a storm sewer feature in a City subdivision.

Debt service for the City's governmental funds is 5% of the total annual appropriations, an increase of 1% from FY2014, mainly due to the issuance of General Obligation Bonds during FY2015 to fund the construction of the new Police Department.

The Georgetown Municipal Water and Sewer Service funds maintain a debt to equity ratio of 15%, with outstanding debt of \$11.3 million and net capital assets of \$75.6 million.

Additional information about capital assets and liabilities is outlined on page 25 through 29 of this report.

## **OTHER SIGNIFICANT ISSUES AFFECTING FINANCIAL POSITION**

In May 2014, 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.

During FY 2016, the City completed construction projects for the City Hall parking lot and the new Police Department. The City also began a project for the construction of additional roads and sanitary sewer lines at the Lanes Run Business Park for continued expansion, with the current phase expected to cost approximately \$510,126. The City also approved an Inter-local Agreement with the Scott County Fiscal Court to demolish the City building located at 221 Oregon Street and to construct a new facility to house Building and Electrical Inspection.

In April 2016, the Georgetown City Council approved a resolution to terminate the existing lease of the Cardome property, to execute a short-term lease with the Roman Catholic Diocese of Lexington, and to allow the Mayor to negotiate the terms of a lease/purchase agreement with the Diocese. The lease/purchase agreement will be executed during the 2016-2017 fiscal year.

## **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.



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

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2015, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 1-6 and 39-43 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016, 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.

**RFH**

RFH, PLLC  
April 20, 2016

**CITY OF GEORGETOWN, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 10,050,372	\$ 1,509,806	\$ 11,560,178
Investments	1,136,547	-	1,136,547
Accounts receivable			
Taxes & licenses, net	1,089,858	-	1,089,858
Customer, net	-	1,249,698	1,249,698
Intergovernmental	652,922	129,239	782,161
Other	555,057	-	555,057
Accrued interest	3,317	-	3,317
Prepaid expenses	-	58,301	58,301
Internal balances	69,895	(69,895)	-
Total current assets	<u>13,557,968</u>	<u>2,877,149</u>	<u>16,435,117</u>
Noncurrent assets			
Restricted cash and cash equivalents	5,432,578	2,760,475	8,193,053
Restricted investments	320,103	1,125,951	1,446,054
Accrued interest receivable	-	440	440
Note receivable	-	-	-
Other assets	-	17,629	17,629
Net capital assets	74,871,297	90,565,503	165,436,800
Construction in progress	4,519,694	235,915	4,755,609
Total noncurrent assets	<u>85,143,672</u>	<u>94,705,913</u>	<u>179,849,585</u>
Total assets	<u>98,701,640</u>	<u>97,583,062</u>	<u>196,284,702</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow - pension	1,325,746	450,444	1,776,190
Defeasance on refunding	-	11,926	11,926
Total assets and deferred outflows of resources	<u>\$ 100,027,386</u>	<u>\$ 98,045,432</u>	<u>\$ 198,072,818</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 736,271	\$ 141,817	\$ 878,088
Contracts payable	-	-	-
Accrued liabilities	1,150,407	673,394	1,823,801
Accrued interest payable	25,003	32,295	57,298
Customer deposits	441,824	229,305	671,129
Unearned revenue	54,818	-	54,818
Accrued compensated absences, current	89,536	107,887	197,423
Current portion of long-term debt	621,670	773,417	1,395,087
Total current liabilities	<u>3,119,529</u>	<u>1,958,115</u>	<u>5,077,644</u>
Noncurrent liabilities			
Compensated absences	656,601	484,132	1,140,733
Bonds and notes payable	13,027,596	10,614,303	23,641,899
Capital lease obligations	2,210,659	-	2,210,659
Net pension liability	14,542,097	4,837,240	19,379,337
Total noncurrent liabilities	<u>30,436,953</u>	<u>15,935,675</u>	<u>46,372,628</u>
Total liabilities	<u>33,556,482</u>	<u>17,893,790</u>	<u>51,450,272</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - pension	1,176,549	432,251	1,608,800
<b>NET POSITION</b>			
Net invested in capital assets	63,531,066	79,413,698	142,944,764
Restricted	3,855,439	3,597,810	7,453,249
Unrestricted	(2,092,150)	(3,292,117)	(5,384,267)
Total net position	<u>65,294,355</u>	<u>79,719,391</u>	<u>145,013,746</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 100,027,386</u>	<u>\$ 98,045,432</u>	<u>\$ 198,072,818</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 2,020,112	\$ 44,920	\$ -	11,000	\$ (1,964,192)	\$ -	\$ (1,964,192)
Public safety							
Police	5,148,894	100,210	293,556	-	(4,755,128)	-	(4,755,128)
Fire	5,062,354	-	214,523	49,633	(4,798,198)	-	(4,798,198)
Telecommunications	1,125,030	-	742,980	35,776	(346,274)	-	(346,274)
Building inspection	349,632	331,272	298,903	-	280,543	-	280,543
Codes enforcement	68,708	-	33,898	-	(34,810)	-	(34,810)
Public works	4,607,631	17,981	688,049	64,458	(3,837,143)	-	(3,837,143)
Community development	4,334,405	-	796,177	-	(3,538,228)	-	(3,538,228)
Interest on long-term debt	578,905	-	-	-	(578,905)	-	(578,905)
Total governmental activities	<u>23,295,671</u>	<u>494,383</u>	<u>3,068,086</u>	<u>160,867</u>	<u>(19,572,335)</u>	<u>-</u>	<u>(19,572,335)</u>
<b>Business-type activities</b>							
Georgetown Municipal Water & Sewer:							
Administration	1,411,749	-	-	-	-	(1,411,749)	(1,411,749)
Water distribution	4,119,995	4,663,467	-	199,979	-	743,451	743,451
Sewer collection and treatment	5,892,214	6,545,690	-	77,616	-	731,092	731,092
Environmental service:							
Sanitation	1,516,885	1,895,366	-	-	-	378,481	378,481
Recycling	239,726	35,978	139,450	-	-	(64,298)	(64,298)
Stormwater management	140,782	-	-	-	-	(140,782)	(140,782)
Cemetery operations	266,452	190,917	48,636	-	-	(26,899)	(26,899)
Solid waste management	<u>106,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,026)</u>	<u>(106,026)</u>
Total business-type activities	<u>13,693,829</u>	<u>13,331,418</u>	<u>188,086</u>	<u>277,595</u>	<u>-</u>	<u>103,270</u>	<u>103,270</u>
<b>Total primary government</b>	<b>\$ 36,989,500</b>	<b>\$ 13,825,801</b>	<b>\$ 3,256,172</b>	<b>\$ 438,462</b>	<b>(19,572,335)</b>	<b>103,270</b>	<b>(19,469,065)</b>
					General revenue		
					Property and other local taxes		
					Occupational licenses		
					Insurance premium		
					Licenses, fees, and permits		
					Fines and reimbursements		
					Telecommunications excise tax		
					Interest income		
					Miscellaneous		
					Total general revenues		
					Gain(loss) on sale of property		
					Transfers		
					Total general revenues and transfers		
					Change in Net Position		
					Net position-beginning, as restated		
					NET POSITION-ENDING		

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

**CITY OF GEORGETOWN, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,311,632	\$ -	\$ 1,738,740	\$ 10,050,372
Restricted cash and cash equivalents	448,223	4,984,355	-	5,432,578
Investments	1,136,547	-	320,103	1,456,650
Accounts receivable:				
Taxes and licenses, net	1,089,858	-	-	1,089,858
Intergovernmental	544,880	-	108,042	652,922
Other	316,063	-	238,994	555,057
Accrued interest	3,317	-	-	3,317
Due from other funds	3,834,556	-	69,895	3,904,451
 Total Assets	 \$ 15,685,076	 \$ 4,984,355	 \$ 2,475,774	 \$ 23,145,205
<b>LIABILITIES</b>				
Accounts payable	\$ 642,015	\$ 62,788	\$ 31,468	\$ 736,271
Accrued payroll liabilities	1,150,407	-	-	1,150,407
Deferred revenue	29,046	-	25,772	54,818
Deposits	439,846	-	1,978	441,824
Compensated absences	89,536	-	-	89,536
Due to other funds	-	3,617,917	216,639	3,834,556
 Total Liabilities	 2,350,850	 3,680,705	 275,857	 6,307,412
<b>FUND BALANCE</b>				
Fund Balance				
Restricted	453,812	1,205,119	2,196,508	3,855,439
Assigned	1,584,115	98,531	3,409	1,686,055
Unassigned	11,296,299	-	-	11,296,299
 Total Fund Balance	 13,334,226	 1,303,650	 2,199,917	 16,837,793
 Total Liabilities and Fund Balance	 \$ 15,685,076	 \$ 4,984,355	 \$ 2,475,774	 \$ 23,145,205

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, 2015**

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	<b>2015</b>
Total Governmental Fund Balances	\$ 16,837,793
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	79,390,991
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 and bonds payable	(15,859,925)
Long-term compensated absences liability	(656,601)
Accrued interest on long-term debt	(25,003)
Net deferred inflows/outflows related to the long-term net pension liability	149,197
Long-term net pension liability	(14,542,097)
Net Position of Governmental Activities	\$ 65,294,355

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, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,085,018	\$ -	\$ -	\$ 2,085,018
Licenses and permits	19,021,517	-	912,270	19,933,787
Charges for service	163,111	-	-	163,111
Fines	161,494	-	-	161,494
Intergovernmental	2,312,155	-	852,340	3,164,495
Investment income	14,512	195	6,386	21,093
Other income	23,356	24,000	1,383	48,739
	<u>23,781,163</u>	<u>24,195</u>	<u>1,772,379</u>	<u>25,577,737</u>
Total Revenues	<u>23,781,163</u>	<u>24,195</u>	<u>1,772,379</u>	<u>25,577,737</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,223,255	-	30,070	1,253,325
City Council	97,232	-	-	97,232
City Clerk	186,340	-	-	186,340
Police	4,135,338	176,469	906,524	5,218,331
Fire	4,780,803	-	-	4,780,803
Telecommunications	1,131,932	-	-	1,131,932
Building inspection	358,664	-	-	358,664
Codes enforcement	70,568	-	-	70,568
Community development	4,337,846	-	(3,441)	4,334,405
Public works	1,113,051	-	586,983	1,700,034
Utilities	481,313	-	-	481,313
Capital outlay	1,467,792	4,019,544	107,340	5,594,676
Debt service	1,346,447	-	114,772	1,461,219
	<u>20,730,581</u>	<u>4,196,013</u>	<u>1,742,248</u>	<u>26,668,842</u>
Total Expenditures	<u>20,730,581</u>	<u>4,196,013</u>	<u>1,742,248</u>	<u>26,668,842</u>
Excess of Revenues Over (Under) Expenditures	3,050,582	(4,171,818)	30,131	(1,091,105)
Other Sources (Uses)				
Proceeds from sale of capital assets	48,328	-	3,000	51,328
Cost of bond issuance	(136,239)	(103,091)	-	(239,330)
Bond refunding	(8,469,517)	-	-	(8,469,517)
Bond proceeds and premium on issuance	8,623,109	5,087,251	-	13,710,360
Transfers	(471,390)	275,000	57,234	(139,156)
	<u>2,644,873</u>	<u>1,087,342</u>	<u>90,365</u>	<u>3,822,580</u>
Net change in fund balance	<u>2,644,873</u>	<u>1,087,342</u>	<u>90,365</u>	<u>3,822,580</u>
Fund Balance, beginning of year	<u>10,689,353</u>	<u>216,308</u>	<u>2,109,552</u>	<u>13,015,213</u>
<b>Fund Balance, end of year</b>	<u>\$ 13,334,226</u>	<u>\$ 1,303,650</u>	<u>\$ 2,199,917</u>	<u>\$ 16,837,793</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, 2015**

	<b>2015</b>
Net Change in Fund Balances - Total Governmental Funds	\$ 3,822,580
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.	5,594,671
Capital contributions for infrastructure constructed by developers are not current financial resources in the fund statements, but are recognized in the statement of activities	64,458
Depreciation expense is reported in the statement of activities to recognize the cost of capital assets used to provide programs and services	(3,585,351)
Gain (loss) on sale of assets do not provide current financial resources but are reported in the statement of activities	(167,019)
Proceeds from sale of assets are reported at net gain or loss in the statement of activities	(51,328)
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	(4,021)
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	9,583,101
Bond and 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.	(13,710,360)
Amortization of bond premium	7,768
Change in net pension liability	485,560
Adjustment in accrued interest on long-term debt	<u>292</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,040,351</u></u>

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

**CITY OF GEORGETOWN, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 648,231	\$ 417,683	\$ 394,418	\$ 49,474	\$ 1,509,806
Accounts receivable					
Customer, net of allowance	1,051,216	160,632	-	37,850	1,249,698
Intergovernmental	-	77,648	-	51,591	129,239
Prepaid expenses	<u>58,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,301</u>
Total current assets	<u>1,757,748</u>	<u>655,963</u>	<u>394,418</u>	<u>138,915</u>	<u>2,947,044</u>
Noncurrent assets					
Restricted cash and cash equivalents	2,760,475	-	-	-	2,760,475
Restricted investments	1,098,495	-	27,456	-	1,125,951
Accrued interest receivable	440	-	-	-	440
Note receivable	-	-	-	-	-
Other assets	17,629	-	-	-	17,629
Capital assets					
Construction in progress	235,915	-	-	-	235,915
Land and easements	736,302	9,000	2,427,043	45,079	3,217,424
Buildings and improvements	7,522,320	201,408	-	247,250	7,970,978
Utility plants in service	144,508,871	-	-	-	144,508,871
Vehicles and equipment	1,653,713	1,950,913	-	101,151	3,705,777
Less accumulated depreciation	<u>(67,604,396)</u>	<u>(1,153,678)</u>	<u>-</u>	<u>(79,473)</u>	<u>(68,837,547)</u>
Total noncurrent assets	<u>90,929,764</u>	<u>1,007,643</u>	<u>2,454,499</u>	<u>314,007</u>	<u>94,705,913</u>
Total assets	<u>92,687,512</u>	<u>1,663,606</u>	<u>2,848,917</u>	<u>452,922</u>	<u>97,652,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	364,656	74,832	-	10,956	450,444
Defeasance on refunding	<u>11,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,926</u>
Total assets and deferred outflows of resources	<u>\$ 93,064,094</u>	<u>\$ 1,738,438</u>	<u>\$ 2,848,917</u>	<u>\$ 463,878</u>	<u>\$ 98,115,327</u>
<b>LIABILITIES AND NET POSITION</b>					
Current liabilities					
Accounts payable	\$ 44,154	\$ 88,868	\$ 4,825	\$ 3,970	\$ 141,817
Accrued liabilities	639,768	28,618	-	5,008	673,394
Contracts payable	-	-	-	-	-
Compensated absences	98,420	7,094	-	2,373	107,887
Interfund payable	-	-	-	69,895	69,895
Accrued interest payable	32,295	-	-	-	32,295
Current portion of long-term debt	773,417	-	-	-	773,417
Customer deposits	<u>229,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,305</u>
Total current liabilities	1,817,359	124,580	4,825	81,246	2,028,010
Long-term liabilities					
Compensated absences	414,708	52,024	-	17,400	484,132
Accrued landfill closure and postclosure care	-	-	-	-	-
Bonds, notes, and loans payable	10,614,303	-	-	-	10,614,303
Net pension liability	<u>3,903,302</u>	<u>814,662</u>	<u>-</u>	<u>119,276</u>	<u>4,837,240</u>
Total long-term liabilities	<u>14,932,313</u>	<u>866,686</u>	<u>-</u>	<u>136,676</u>	<u>15,935,675</u>
Total liabilities	<u>16,749,672</u>	<u>991,266</u>	<u>4,825</u>	<u>217,922</u>	<u>17,963,685</u>
<b>DEFERRED INFLOWS OR RESOURCES</b>					
Deferred inflows - pension	<u>348,800</u>	<u>72,793</u>	<u>-</u>	<u>10,658</u>	<u>432,251</u>
Net Position					
Net invested in capital assets	75,665,005	1,007,643	2,427,043	314,007	79,413,698
Restricted for debt service	3,597,810	-	-	-	3,597,810
Unrestricted	<u>(3,297,193)</u>	<u>(333,264)</u>	<u>417,049</u>	<u>(78,709)</u>	<u>(3,292,117)</u>
Total net position	<u>75,965,622</u>	<u>674,379</u>	<u>2,844,092</u>	<u>235,298</u>	<u>79,719,391</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 93,064,094</u>	<u>\$ 1,738,438</u>	<u>\$ 2,848,917</u>	<u>\$ 463,878</u>	<u>\$ 98,115,327</u>

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, 2015**

	<b>Municipal Water &amp; Sewer Funds</b>	<b>Environmental Services Fund</b>	<b>Landfill Fund</b>	<b>Cemetery Fund</b>	<b>Totals</b>
<b>Operating revenues</b>					
Water revenue	\$ 4,083,389	\$ -	\$ -	\$ -	\$ 4,083,389
Sewer revenue	4,172,915	-	-	-	4,172,915
Sanitation revenue	-	1,895,366	-	-	1,895,366
Recycling revenue	-	35,978	-	-	35,978
Cemetery revenue	-	-	-	190,917	190,917
Intergovernmental	-	139,450	-	48,636	188,086
Connection fees	1,425,333	-	-	-	1,425,333
Commercial user fees	1,127,498	-	-	-	1,127,498
Miscellaneous	294,471	-	-	-	294,471
Penalties	105,551	-	-	-	105,551
<b>Total operating revenues</b>	<b>11,209,157</b>	<b>2,070,794</b>	<b>-</b>	<b>239,553</b>	<b>13,519,504</b>
<b>Operating expenses</b>					
Administrative	1,350,533	-	-	-	1,350,533
Water	2,624,089	-	-	-	2,624,089
Wastewater	3,352,803	-	-	-	3,352,803
Sanitation	-	1,433,939	-	-	1,433,939
Recycling	-	232,486	-	-	232,486
Stormwater	-	140,782	-	-	140,782
Landfill	-	-	106,026	-	106,026
Cemetery	-	-	-	246,682	246,682
Depreciation	3,683,039	90,186	-	19,770	3,792,995
<b>Total operating expenses</b>	<b>11,010,464</b>	<b>1,897,393</b>	<b>106,026</b>	<b>266,452</b>	<b>13,280,335</b>
Operating income (loss)	198,693	173,401	(106,026)	(26,899)	239,169
<b>Nonoperating revenues (expenses)</b>					
Interest income	7,226	210	64,816	1	72,253
Interest expense	(410,858)	-	-	-	(410,858)
Amortization expense	(2,636)	-	-	-	(2,636)
Loss on disposal of capital assets	-	-	-	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(406,268)</b>	<b>210</b>	<b>64,816</b>	<b>1</b>	<b>(341,241)</b>
Income (loss) before capital contributions and transfers	(207,575)	173,611	(41,210)	(26,898)	(102,072)
Capital contributed					
Developer contributions	199,979	-	-	-	199,979
Commercial user contributions	77,616	-	-	-	77,616
Transfers in (out)	-	84,129	-	55,027	139,156
<b>Change in net position</b>	<b>70,020</b>	<b>257,740</b>	<b>(41,210)</b>	<b>28,129</b>	<b>314,679</b>
Net position at beginning of year, as restated	75,895,602	416,639	2,885,302	207,169	79,404,712
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 75,965,622</b>	<b>\$ 674,379</b>	<b>\$ 2,844,092</b>	<b>\$ 235,298</b>	<b>\$ 79,719,391</b>

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, 2015

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 11,010,792	\$ 2,087,165	\$ -	\$ 228,327	\$ 13,326,284
Payments to suppliers	(3,009,610)	(853,413)	(116,103)	(249,287)	(4,228,413)
Payments for employee services and benefits	(4,483,869)	(943,512)	-	137	(5,427,244)
Internal activity - payments to other funds	-	-	-	-	-
Other receipts (payments)	294,471	-	-	-	294,471
Net cash provided by operations	<u>3,811,784</u>	<u>290,240</u>	<u>(116,103)</u>	<u>(20,823)</u>	<u>3,965,098</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in (out)	-	583,006	(1,440,513)	114,113	(743,394)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,875,859)	(455,773)	-	(43,817)	(2,375,449)
Capital contributions	277,595	-	-	-	277,595
Principal paid on capital debt	(760,417)	-	-	-	(760,417)
Interest paid on capital debt	(414,544)	-	-	-	(414,544)
Net cash (used) by capital and related financing activities	<u>(2,773,225)</u>	<u>(455,773)</u>	<u>-</u>	<u>(43,817)</u>	<u>(3,272,815)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(40,918)	-	-	-	(40,918)
Sale of investments	41,036	-	-	-	41,036
Interest received on long-term landfill sale note	-	-	64,816	-	64,816
Principal received on long-term landfill sale note	-	-	1,886,218	-	1,886,218
Interest income	7,034	210	-	1	7,245
Net cash provided (used) by investing activities	<u>7,152</u>	<u>210</u>	<u>1,951,034</u>	<u>1</u>	<u>1,958,397</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	1,045,711	417,683	394,418	49,474	1,907,286
Cash and cash equivalents at beginning of year	2,362,995	-	-	-	2,362,995
<b>CASH AT END OF YEAR</b>	<u>\$ 3,408,706</u>	<u>\$ 417,683</u>	<u>\$ 394,418</u>	<u>\$ 49,474</u>	<u>\$ 4,270,281</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 198,693	\$ 173,401	\$ (106,026)	\$ (26,899)	\$ 239,169
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	3,683,039	90,186	-	19,770	3,792,995
Change in assets and liabilities:					
Receivables, net	89,883	16,371	-	(11,226)	95,028
Prepaid expense	(18,802)	-	-	-	(18,802)
Other assets	2,735	-	-	-	2,735
Accounts and other payables	(10,127)	13,738	(10,077)	(2,605)	(9,071)
Accrued expenses	-	24,433	-	4,220	28,653
Customer deposits	6,223	-	-	-	6,223
Net pension liability	(139,860)	(27,889)	-	(4,083)	(171,832)
Net cash provided by operating activities	<u>\$ 3,811,784</u>	<u>\$ 290,240</u>	<u>\$ (116,103)</u>	<u>\$ (20,823)</u>	<u>\$ 3,965,098</u>
Supplemental disclosures of cash flow information:					
Noncash capital and related financing activities:					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in contracts payable for capital items	\$ 14,588	\$ -	\$ -	\$ -	\$ 14,588
Amortization expense	\$ 2,636	\$ -	\$ -	\$ -	\$ 2,636

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, 2015

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**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, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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 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 reports the General Fund and Capital Projects Fund as major in the governmental fund statements. 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. 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 **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, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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.

**D. Assets, Liabilities, and Net Position**

**Cash and Investments**

The City considers all demand, savings accounts, money market funds, and certificate of deposits with an original maturity of three months or less to be "cash and cash equivalents."

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 2014. Liens have been filed on these properties for all unpaid property taxes. At June 30, 2015, the allowance for doubtful accounts totaled \$151,903 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, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Position (continued)**

**Notes Receivable**

The City has entered into an agreement to sell its landfill to a private company. During 2015, the City collected the remaining balance on the related note receivable.

**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, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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. 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 other financing sources 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.

**E. 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, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. 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.

**F. 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.

**G. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**H. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through April 20, 2016, 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, 2015, 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, 2015, the City had \$18,072,191 in financial institutions, of which \$6,142,669 was insured by FDIC insurance, SIPC insurance, or secured by U.S. government obligations. The City had \$24,499,836 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.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

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**2. CASH AND INVESTMENT POLICIES (CONTINUED)**

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.

**3. INVESTMENTS**

The City's investments at June 30, 2015, 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	\$ 1,136,547	\$ 1,136,547	\$ -
Money market/mutual funds	<u>320,103</u>	<u>320,103</u>	-
Total governmental activities	<u>\$ 1,456,650</u>	<u>\$ 1,456,650</u>	<u>\$ -</u>
Business-type activities:			
Certificates of deposit	<u>\$ 1,125,951</u>	<u>\$ 551,485</u>	<u>\$ 574,466</u>

**4. NOTES RECEIVABLE**

During fiscal year 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 15<sup>th</sup> 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. During fiscal year 2015, the City collected the outstanding balance in full from the purchasing Company.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2015

**5. CAPITAL ASSETS**

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

	July 1, 2014 Balance	Additions	Retirements	June 30, 2015 Balance
Governmental activities:				
Capital assets not depreciated				
Land	\$ 10,613,586	\$ -	\$ -	\$ 10,613,586
Construction in progress	537,033	4,137,844	(155,183)	4,519,694
Total	<u>11,150,619</u>	<u>4,137,844</u>	<u>(155,183)</u>	<u>15,133,280</u>
Capital assets being depreciated				
Buildings	27,303,440	209,125	(72,100)	27,440,465
Vehicles	4,584,563	1,293,906	(839,170)	5,039,299
Equipment	5,975,776	181,084	(776,448)	5,380,412
Infrastructure	79,690,550	64,456	(196,457)	79,558,549
Total	<u>117,554,329</u>	<u>1,748,571</u>	<u>(1,884,175)</u>	<u>117,418,725</u>
Accumulated depreciation	<u>(51,169,391)</u>	<u>(3,438,895)</u>	<u>1,447,272</u>	<u>(53,161,014)</u>
Governmental activities capital assets, net	<u>\$ 77,535,557</u>	<u>\$ 2,447,520</u>	<u>\$ (592,086)</u>	<u>\$ 79,390,991</u>
	July 1, 2014 Balance	Additions	Retirements	June 30, 2015 Balance
Business-type activities:				
Capital assets not depreciated				
Land	\$ 3,195,722	\$ 2,140	\$ -	\$ 3,197,862
Construction in progress	1,067,359	836,158	(1,667,602)	235,885
Total	<u>4,263,081</u>	<u>838,298</u>	<u>(1,667,602)</u>	<u>3,433,777</u>
Capital assets being depreciated				
Land improvements	19,562	-	-	19,562
Buildings	6,423,855	2,089	-	6,425,944
Vehicles	2,532,170	550,049	(67,866)	3,014,353
Equipment	2,447,997	91,590	(303,129)	2,236,458
Utility Plant	141,940,610	2,575,613	(7,352)	144,508,871
Total	<u>153,364,194</u>	<u>3,219,341</u>	<u>(378,347)</u>	<u>156,205,188</u>
Accumulated depreciation	<u>(65,422,903)</u>	<u>(3,792,995)</u>	<u>378,351</u>	<u>(68,837,547)</u>
Business-type activities capital assets, net	<u>\$ 92,204,372</u>	<u>\$ 264,644</u>	<u>\$ (1,667,598)</u>	<u>\$ 90,801,418</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

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**5. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental activities as follows:

General Government	\$	515,036
Public Protection		
Police		282,385
Fire Protection		284,147
Telecommunications		34,496
Building Inspection		9,906
Public Works		<u>2,312,925</u>
	<b>\$</b>	<b><u>3,438,895</u></b>

**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.

**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 general obligation bonds, capital leases, discussed in Note 6 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.	\$ 619,385
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.	1,782,944
20-year General Obligation Refunding Bonds, Series 2014B, for the advance refund of the previously issued Georgetown Refinancing 2009 Bonds issued for various City projects. Interest is based on fixed rates varying between 2.00-3.25%. The bonds final maturity is in June 2034 and are subject to redemption prior to maturity at various times, along with a call premium, as more fully described in the ordinance.	8,525,000
20-year General Obligation Bonds, Series 2014, for the financing of the new police department project. Interest is based on fixed rates varying between 2.00-3.75%. The bonds final maturity is in June 2034 and are subject to redemption prior to maturity at various times, along with a call premium, as more fully described in the ordinance.	4,785,000
Bond Premiums	<u>147,596</u>
Total governmental activity debt	<b><u>\$ 15,859,925</u></b>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

**7. LONG-TERM DEBT (CONTINUED)**

The changes in long-term debt during the fiscal year ended June 30, 2015, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Capital leases	\$ 11,256,321	\$ -	\$ 8,853,992	\$ 2,402,329	\$ 191,670
Note payable	484,109	-	484,109	-	-
Bond payable	-	13,562,768	252,768	13,310,000	430,000
Compensated absences	<u>741,568</u>	<u>52,403</u>	<u>47,834</u>	<u>746,137</u>	<u>89,536</u>
<b>Total Governmental</b>	<u>\$ 12,481,998</u>	<u>\$13,615,171</u>	<u>\$ 9,638,703</u>	<u>\$ 16,458,466</u>	<u>\$ 711,206</u>

The annual debt service requirements to maturity, including principal, interest and fees for capital leases and bonds payable as of June 30, 2015, are as follows:

	Principal	Interest	Fees	Total
2016	\$ 621,670	\$ 366,351	\$ 39,174	\$ 1,027,195
2017	634,227	244,992	35,945	915,164
2018	646,683	348,579	32,679	1,027,941
2019	659,556	339,533	29,285	1,028,374
2020	787,620	330,182	25,824	1,143,626
2021 – 2025	4,114,147	1,472,254	71,234	5,657,635
2026 – 2030	4,573,426	1,038,480	1,844	5,613,750
2031 – 2035	<u>3,675,000</u>	<u>289,837</u>	<u>-</u>	<u>3,964,837</u>
	<u>\$ 15,712,329</u>	<u>\$ 4,430,208</u>	<u>\$ 235,985</u>	<u>\$ 20,378,522</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	2.00-4.250%	2033	\$ 4,420,000
Water and Sewer, Series 2013B	1.00-4.250%	2023	2,120,000
Water and Sewer, Series 2007A	4.00-4.375%	2027	4,821,333
Bond premium			<u>26,387</u>
Total revenue bonds			<u>11,387,720</u>
Other long-term obligations:			
Compensated absences—GMWSS			513,128
Compensated absences—Environmental Services			59,118
Compensated absences—Cemetery Operations			<u>19,773</u>
Total obligations			<u>592,019</u>
Less current portion of			
Revenue bonds			773,417
Compensated absences			<u>107,887</u>
Total long-term obligations			<u>\$ 11,098,435</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

**7. LONG-TERM DEBT (CONTINUED)**

The changes in long-term debt during 2015 are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$12,122,760	\$ -	\$ 761,427	\$ 11,361,333	\$ 773,417
Compensated absences	<u>480,036</u>	<u>113,670</u>	<u>1,687</u>	<u>592,019</u>	<u>107,887</u>
<b>Total Proprietary</b>	<b><u>\$12,602,796</u></b>	<b><u>\$ 113,670</u></b>	<b><u>\$ 763,114</u></b>	<b><u>\$ 11,979,739</u></b>	<b><u>\$ 881,304</u></b>

The annual debt service requirements to maturity, including principal and interest for bonds as of June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	866,250	304,641	1,170,891
2021-2025	4,178,750	1,088,099	5,266,849
2026-2030	2,148,583	413,578	2,562,161
2031-2035	<u>940,000</u>	<u>80,963</u>	<u>1,020,963</u>
	<b><u>\$ 11,361,333</u></b>	<b><u>\$ 3,334,158</u></b>	<b><u>\$ 14,695,491</u></b>

**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.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2015

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**7. LONG-TERM DEBT (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (continued)**

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 \$957,525 at June 30, 2015. This reserve was fully funded at June 30, 2015.

**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 \$2,317,438 at June 30, 2015.

**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, 2015, for Revenue Bonds and for Industrial Bonds is not available.

**9. RETIREMENT PLAN**

The City of Georgetown and Georgetown Municipal Water and Sewer System are participating employers 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 publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*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, 2015, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last 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, 2015, participating employers contributed 17.67% of each employee's wages for non-hazardous job classifications and 34.31% of each employee's wages for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

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**9. RETIREMENT PLAN (CONTINUED)**

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2015, the City contributed \$726,520, or 100% of the required contribution for non-hazardous job classifications, and \$1,049,670, for the year ended June 30, 2015, or 100% of the required contribution for hazardous job classifications.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –* At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
\$ <u>19,379,337</u>	\$ <u>7,842,734</u>	\$ <u>11,536,603</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2014 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.241%	.956%

The proportionate share at June 30, 2014 was equal to the proportionate share as of June 30, 2013.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

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**9. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2015, the City recognized pension expense of \$894,000. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	1,608,800
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>1,776,190</u>	-
<b>Total</b>	<u>\$ 1,776,190</u>	<u>\$ 1,608,800</u>

The \$1,776,190 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year ending June 30,**

2016	\$ (402,200)
2017	(402,200)
2018	(402,200)
2019	(402,200)

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

**Non-hazardous**

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

**Hazardous**

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

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

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

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**9. RETIREMENT PLAN (CONTINUED)**

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Nominal Real Rate of Return</b>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

**9. RETIREMENT PLAN (CONTINUED)**

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	6.75%	\$ 10,321,371	6.75%	\$ 15,092,242
Current discount rate	7.75%	\$ 7,842,734	7.75%	\$ 11,536,603
1% increase	8.75%	\$ 5,654,027	8.75%	\$ 8,518,328

*Payable to the Pension Plan* – At June 30, 2015, the City reported a payable of \$228,115 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

**10. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivable and payable balances as of June 30, 2015, were as follows:

Fund	Receivable	Payable
General Fund	\$ 3,834,556	\$ -
Municipal Aid	-	-
LGEA	-	-
Drug Forfeiture	-	-
Business Park	-	-
Federal & State Grants	-	-
Cemetery Perpetual Care	69,895	-
Capital Projects	-	3,617,917
Alcohol	-	216,639
Environmental Services	-	-
Landfill	-	-
Cemetery Operations	-	69,895
<b>Total</b>	<b>\$ 3,904,451</b>	<b>\$ 3,904,451</b>

The City generally maintains one checking account for which all receipts are deposited and disbursement are made. This results in outstanding interfund receivable/payable accounts at year end for various funds. The City transfers 20% of cemetery lot sales from the cemetery operations fund to the cemetery perpetual care fund. This interfund receivable/payable represents approximately three years of cemetery lot sale transfers recorded in the accounting system but no cash transfer has occurred.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2015**

**11. TRANSFERS**

The following operating transfers were made during the year:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 56,651	\$ 528,041
Cemetery Perpetual Care	-	6,390
Capital Projects	275,000	-
Environmental Services	140,780	56,651
Business Park	63,624	-
Cemetery Operations	<u>55,027</u>	<u>-</u>
<b>Total</b>	<u>\$ 591,082</u>	<u>\$ 591,082</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.
- The transfer to the Environmental Services Fund was to fund stormwater projects.
- The transfer to the Capital Projects Fund was to fund capital projects.
- The transfer to the General Fund was to reimburse the General Fund for prior purchases of Herbies.
- The transfer to the Business Park Fund was made to provide funds to cover debt service.

**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, 2015, fund balances are composed of the following:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Restricted:				
MAP fund	\$ -	\$ -	\$ 1,195,367	\$ 1,195,367
Capital projects	-	1,205,119	-	1,205,119
LGEA fund	-	-	64,292	64,292
Drug forfeiture	-	-	276,887	276,887
Cemetery perpetual care	-	-	659,962	659,962
Gus Wolf reserve	5,589	-	-	5,589
Medical escrow	139,702	-	-	139,702
Bond account	1,514	-	-	1,514
Street light deposits	<u>307,007</u>	<u>-</u>	<u>-</u>	<u>307,007</u>
<b>Total Restricted</b>	<u>\$ 453,812</u>	<u>\$ 1,205,119</u>	<u>\$ 2,196,508</u>	<u>\$ 3,855,439</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2015

**12. FUND BALANCES (CONTINUED)**

Assigned:				
Business park	\$ -	\$ -	\$ 3,257	\$ 3,257
Alcohol-related operations	-	-	152	152
Capital projects	-	98,531	-	98,531
2016 budget allocations	<u>1,584,115</u>	<u>-</u>	<u>-</u>	<u>1,584,115</u>
Total Assigned	<u>1,584,115</u>	<u>98,531</u>	<u>3,409</u>	<u>1,686,055</u>
Unassigned	<u>11,296,299</u>	<u>-</u>	<u>-</u>	<u>11,296,299</u>
Total fund balances	<u>\$ 13,334,226</u>	<u>\$ 1,303,650</u>	<u>\$ 2,199,917</u>	<u>\$ 16,837,793</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.

The City has contributed the following amounts to these organizations.

Georgetown/Scott County Parks & Recreation	\$ 891,919
Georgetown/Scott County Planning & Zoning	370,349
Georgetown/Scott County Ambulance	1,949,881
Georgetown/Scott County Disaster & Emergency Services	96,958
Georgetown/Scott County Senior Citizens	97,000
Georgetown/Scott County Electrical Inspection	125,066
Georgetown/Scott County Animal Shelter	242,509
Georgetown/Scott County E911 Billing	39,918
Georgetown/Scott County Museum	10,000
Georgetown/Scott County Revenue Commission	157,800
Scott United	33,750
Historic Georgetown	<u>50,417</u>
Total Contributions	<u>\$ 4,065,567</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2015

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**14. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2015:

Governmental activities:

General fund

Police Department- construction services	\$ 994,240
Police Department- architectural services	2,755
Police Department- Furniture	<u>75,025</u>
Total	<u>\$ 1,072,020</u>

Municipal Aid Fund

Paving Projects	<u>\$ 19,890</u>
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Business Park Fund

Conceptual Planning	<u>\$ 7,500</u>
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Business-type activities:

Environmental Services

Building Improvements	\$ 116,000
Stormwater Systems	<u>73,315</u>
	<u>\$ 189,315</u>

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, 2015, there was no balance due on the line of credit.

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.

**15. CONTRIBUTED ASSETS**

Contributed assets totaling \$277,595 have been reported in the accompanying statement of revenues, expenses, and changes in net position. These contributions include \$199,979 of cash contributions made by various state and local governments and developers. In addition \$77,616 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 \$64,458 of roads, sidewalks and storm sewers donated during the year.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2015**

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**16. ECONOMIC DEPENDENCE**

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,803,175 (46.3%) of the City's license fees and permit revenue and \$80,713 (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 10.1% of the operating revenue of GMWSS. Ten other customers accounted for 7.8% of the operating revenue of GMWSS.

**17. 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, 2015.

**18. 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.

**19. 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 2<sup>nd</sup>, 5<sup>th</sup> and 10<sup>th</sup> 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 \$2,407,378. Accumulated depreciation of \$2,055,580 has been charged through June 30, 2015.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2015

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**20. RESTATEMENT OF NET POSITION**

Implementation of new accounting standard GASB Statement No. 68

During 2015 the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which 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, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires 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. In addition, GASB requires Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

	<b>2015</b>
<b><u>Governmental Activities</u></b>	
Net position, at beginning of year	\$ 78,132,467
Beginning net pension liability	<u>(14,878,463)</u>
Net position, at beginning of year, as restated	<u>\$ 63,254,004</u>
<b><u>Business-Type Activities</u></b>	
Municipal Water & Sewer	
Net position, at beginning of year	\$ 79,922,907
Beginning net pension liability	<u>(4,027,305)</u>
Net position, at beginning of year, as restated	<u>\$ 75,895,602</u>
Environmental Services	
Net position, at beginning of year	\$ 1,257,151
Beginning net pension liability	<u>(840,512)</u>
Net position, at beginning of year, as restated	<u>\$ 416,639</u>
Cemetery	
Net position, at beginning of year	\$ 330,230
Beginning net pension liability	<u>(123,061)</u>
Net position, at beginning of year, as restated	<u>\$ 207,169</u>

## **SUPPLEMENTARY INFORMATION**

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
GENERAL FUND  
for the year ended June 30, 2015**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 2,051,000	\$ 1,941,000	\$ 2,085,018	\$ 144,018
Licenses, and permits	15,335,500	15,335,500	19,021,517	3,686,017
Charges for service	140,775	140,775	163,111	22,336
Fines	95,000	127,450	161,494	34,044
Intergovernmental	2,246,138	2,238,638	2,312,155	73,517
Investment income	3,000	3,000	14,512	11,512
Other revenue	7,200	7,200	23,356	16,156
<b>Total revenues</b>	<u>19,878,613</u>	<u>19,793,563</u>	<u>23,781,163</u>	<u>3,987,600</u>
<b>Expenditures</b>				
Current				
Administration	1,192,911	1,225,243	1,223,255	1,988
City Council	150,774	150,774	97,232	53,542
City Clerk	185,930	185,930	186,340	(410)
Police	4,630,662	4,641,162	4,135,338	505,824
Fire	5,796,763	5,796,763	4,780,803	1,015,960
Telecommunications	1,343,012	1,307,012	1,131,932	175,080
Code enforcement	65,337	65,337	70,568	(5,231)
Building inspection	390,926	390,926	358,664	32,262
Community development	4,307,622	4,314,091	4,337,846	(23,755)
Public works	1,316,717	1,316,717	1,113,051	203,666
Utilities	474,000	474,000	481,313	(7,313)
Capital outlay	533,376	533,376	1,467,792	(934,416)
Debt service	1,138,651	1,410,929	1,346,447	64,482
<b>Total expenditures</b>	<u>21,526,681</u>	<u>21,812,260</u>	<u>20,730,581</u>	<u>1,081,679</u>
Excess of Revenues over (under) Expenditures	<u>(1,648,068)</u>	<u>(2,018,697)</u>	<u>3,050,582</u>	<u>5,069,279</u>
Other Financing Sources (Uses)				
Property sales	20,000	20,000	48,328	(28,328)
Cost of bond issuance	-	-	(136,239)	136,239
Bond refunding	-	-	(8,469,517)	8,469,517
Bond proceeds and premium	-	-	8,623,109	(8,623,109)
Transfers	609,288	257,428	(471,390)	728,818
	<u>629,288</u>	<u>277,428</u>	<u>(405,709)</u>	<u>700,490</u>
<b>Net change in fund balance</b>	<b>(1,018,780)</b>	<b>(1,741,269)</b>	<b>2,644,873</b>	<b>4,386,142</b>
Fund balance, beginning of year	<u>10,689,353</u>	<u>10,689,353</u>	<u>10,689,353</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,670,573</u>	<u>\$ 8,948,084</u>	<u>\$ 13,334,226</u>	<u>\$ 4,386,142</u>

**CITY OF GEORGETOWN, KENTUCKY  
 REQUIRED SUPPLEMENTAL SCHEDULE OF  
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS  
 Last Two Fiscal Years**

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	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability	0.2400%	0.2400%
City's proportionate share of the net pension liability (asset)	\$ 7,842,734	\$ 8,856,545
City's covered employee payroll	\$ 5,653,973	\$ 5,550,910
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.71%	159.55%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

**CITY OF GEORGETOWN, KENTUCKY  
 REQUIRED SUPPLEMENTAL SCHEDULE OF  
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS  
 Last Two Fiscal Years**

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	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability	0.9560%	0.9560%
City's proportionate share of the net pension liability (asset)	\$ 11,536,603	\$ 12,835,445
City's covered employee payroll	\$ 1,049,670	\$ 1,057,841
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	1099.07%	1213.36%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.74%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

**CITY OF GEORGETOWN, KENTUCKY**  
**REQUIRED SUPPLEMENTAL**  
**SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS**  
**Last Three Fiscal Years**

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	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required employer contribution	\$ 726,520	\$ 764,808	\$ 660,173
Contributions relative to contractually required employer contribution	<u>\$ 726,520</u>	<u>\$ 764,808</u>	<u>\$ 660,173</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,653,973	\$ 5,550,910	\$ 5,226,162
Employer contributions as a percentage of covered-employee payroll	12.85%	13.78%	12.63%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTAL  
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS  
Last Three Fiscal Years**

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	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required employer contribution	\$ 1,049,670	\$ 1,057,841	\$ 945,898
Contributions relative to contractually required employer contribution	<u>\$ 1,049,670</u>	<u>\$ 1,057,841</u>	<u>\$ 945,898</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,063,536	\$ 4,857,829	\$ 4,697,824
Employer contributions as a percentage of covered-employee payroll	20.73%	21.78%	20.13%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**for the year ended June 30, 2015**

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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, 2015**

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	<b>Total</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,092,646	\$ 5,235	\$ 64,292	\$ 286,152	\$ 269,964	\$ 20,451	\$ -	\$ 1,738,740
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	320,103	-	-	320,103
Accounts receivable:								
Intergovernmental	102,721	-	-	-	-	5,321	-	108,042
Other	-	-	-	-	-	-	238,994	238,994
Prepaid expenses	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	69,895	-	-	69,895
<b>Total Assets</b>	<b><u>\$ 1,195,367</u></b>	<b><u>\$ 5,235</u></b>	<b><u>\$ 64,292</u></b>	<b><u>\$ 286,152</u></b>	<b><u>\$ 659,962</u></b>	<b><u>\$ 25,772</u></b>	<b><u>\$ 238,994</u></b>	<b><u>\$ 2,475,774</u></b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 9,265	\$ -	\$ -	\$ 22,203	\$ 31,468
Deferred revenue	-	-	-	-	-	25,772	-	25,772
Deposits	-	1,978	-	-	-	-	-	1,978
Due to other funds	-	-	-	-	-	-	216,639	216,639
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>1,978</u></b>	<b><u>-</u></b>	<b><u>9,265</u></b>	<b><u>-</u></b>	<b><u>25,772</u></b>	<b><u>238,842</u></b>	<b><u>275,857</u></b>
<b>FUND BALANCE</b>								
Fund Balance								
Restricted	1,195,367	-	64,292	276,887	659,962	-	-	2,196,508
Assigned	-	3,257	-	-	-	-	152	3,409
<b>Total Fund Balance</b>	<b><u>1,195,367</u></b>	<b><u>3,257</u></b>	<b><u>64,292</u></b>	<b><u>276,887</u></b>	<b><u>659,962</u></b>	<b><u>-</u></b>	<b><u>152</u></b>	<b><u>2,199,917</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,195,367</u></b>	<b><u>\$ 5,235</u></b>	<b><u>\$ 64,292</u></b>	<b><u>\$ 286,152</u></b>	<b><u>\$ 659,962</u></b>	<b><u>\$ 25,772</u></b>	<b><u>\$ 238,994</u></b>	<b><u>\$ 2,475,774</u></b>

**CITY OF GEORGETOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2015**

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	Total
<b>REVENUES</b>								
Intergovernmental	\$ 668,890	\$ -	\$ 7,333	\$ 68,514	\$ -	\$ 107,603	\$ -	\$ 852,340
Licenses, permits	-	-	-	-	-	-	912,270	912,270
Other income	-	-	-	1,383	-	-	-	1,383
Interest income	543	-	32	-	5,811	-	-	6,386
Total Revenues	669,433	-	7,365	69,897	5,811	107,603	912,270	1,772,379
<b>EXPENDITURES</b>								
Current								
Administration	-	-	-	-	3,603	-	26,467	30,070
Police	-	-	-	7,777	-	13,868	884,879	906,524
Fire	-	-	-	-	-	-	-	-
Community development	-	59	-	-	-	(3,500)	-	(3,441)
Recycling	-	-	-	-	-	-	-	-
Public works	575,157	-	-	-	-	11,826	-	586,983
Capital outlay	-	-	-	21,007	-	85,409	924	107,340
Debt Service	-	114,772	-	-	-	-	-	114,772
Total Expenditures	575,157	114,831	-	28,784	3,603	107,603	912,270	1,742,248
Excess of Revenues Over (Under) Expenditures	94,276	(114,831)	7,365	41,113	2,208	-	-	30,131
Other Financing Sources (Uses)								
Proceeds from sale of assets	-	3,000	-	-	-	-	-	3,000
Bond proceeds and premium	-	-	-	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-	-	-	-
Transfers in (out)	-	63,624	-	-	(6,390)	-	-	57,234
	-	66,624	-	-	(6,390)	-	-	60,234
Net change in fund balances	94,276	(48,207)	7,365	41,113	(4,182)	-	-	90,365
Fund Balance, beginning of year	1,101,091	51,464	56,927	235,774	664,144	-	152	2,109,552
<b>Fund Balance, end of year</b>	<b>\$ 1,195,367</b>	<b>\$ 3,257</b>	<b>\$ 64,292</b>	<b>\$ 276,887</b>	<b>\$ 659,962</b>	<b>\$ -</b>	<b>\$ 152</b>	<b>\$ 2,199,917</b>



**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, 2015, 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 April 20, 2016.

**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*.

### **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.

**RFH**

RFH, PLLC  
April 20, 2016