

CITY OF GEORGETOWN
Georgetown, Kentucky

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**
June 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City of Georgetown, Kentucky'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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, 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 and other post-employment benefit schedules on pages 3-9 and 47-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Prior-Year Comparative Information

We have previously audited the City's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Georgetown, Kentucky's 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
Lexington, Kentucky
June 8, 2020

City Council Members
Polly Singer Eardley
David Lusby
Tammy Lusby Mitchell
Karen Tingle-Sames



City Council
Members
Mark Showalter
Todd Stone
Connie Tackett
Marvin Thompson

Tom Prather, Mayor

City of Georgetown Management's Discussion and Analysis For the Year Ended June 30, 2019

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, 2019. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. Our Basic Financial Statements are presented in accordance with Governmental Accounting Standards Board (www.gasb.org) accounting and reporting standards for state and local governments in the United States, in accordance with KRS 91A.020. Our basic financial statements include (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, (4) certain required supplementary information, and (5) other supplementary information.

Readers can find more details in the statements and narratives on pages 10 through 46 of this report. Some of the significant financial issues include:

- During FY2017, the tax incentive previously approved by the City of Georgetown for Toyota Motor Manufacturing Kentucky (TMMK) was amended with a supplemental agreement that increased the maximum inducement to a total of \$19,000,000. The City continues to contribute one half of one percent of the payroll tax withholding for all full-time, Kentucky-resident, TMMK employees. The total contribution of the City during FY2019 was \$2,499,962, which leaves a remaining balance of \$8,154,672 for the duration of the incentive program, which is currently scheduled to end during FY2027.
- Overall, the City's revenues continue to perform well; however, the General Fund Balance decreased \$9,048,076 during FY2019 mainly due to the City paying cash for two large capital projects. Intergovernmental Revenues increased significantly during FY2019 due to Scott County Fiscal Court funding half of the two large capital projects.

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 mainly due to an increase in the City's portion of the state pension fund's pension and OPEB liability, which is reflected in the increase in "Other Liabilities" below. The City has also spent considerable amounts of cash for capital improvements, reflecting the increase in Net Invested in Capital Assets.

The following table outlines a condensed version of the Statement of Net Position for June 30, 2019 and 2018.

**City of Georgetown
Net Position
June 30, 2019 & 2018**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 23,331,684	\$ 24,766,043	\$ 2,600,916	\$ 2,813,479	\$ 25,932,600	\$ 27,579,522
Capital assets	104,073,710	82,531,948	98,995,833	93,680,356	203,069,543	176,212,304
Other assets	1,565,847	1,649,723	2,783,250	4,040,087	4,349,097	5,689,810
Deferred Outflows of Resources	11,078,530	13,545,149	2,906,055	3,174,973	13,984,585	16,720,122
Total assets and deferred outflows	140,049,771	122,492,863	107,286,054	103,708,895	247,335,825	226,201,758
Long-term debt outstanding	13,785,453	15,034,704	8,423,856	9,766,829	22,209,309	24,801,533
Other liabilities	44,666,194	42,473,834	15,887,035	13,528,364	60,553,229	56,002,198
Deferred Inflows of Resources	2,782,594	822,471	810,448	451,688	3,593,042	1,274,159
Total liabilities and deferred inflows	61,234,241	58,331,009	25,121,339	23,746,881	86,355,580	82,077,890
Net position:						
Net invested in capital assets	89,155,014	67,632,244	90,121,429	84,545,075	179,276,443	152,177,319
Restricted	2,107,785	2,503,580	2,432,760	3,748,482	4,540,545	6,252,062
Unrestricted	(12,447,269)	(5,973,970)	(10,389,474)	(8,331,543)	(22,836,743)	(14,305,513)
Total net position	\$ 78,815,530	\$ 64,161,854	\$ 82,164,715	\$ 79,962,014	\$ 160,980,245	\$ 144,123,868

Governmental current assets decreased due to investing in additional capital improvements. Capital Assets increased mainly due to multiple capital projects under construction, land purchases, and capital contributions from street dedications. Other liabilities increased mainly due to the requirement of the City to report our portion of the Net Pension and OPEB liabilities. Restricted resources in the governmental funds include restricted cash in the General Fund, MAP, LGEA, Grant Fund, Cemetery Perpetual Care, and Drug Forfeiture resources.

Assets for Business-Type Activities increased slightly due to capital additions and deferred inflows related to the Georgetown Municipal Water and Sewer Service. Liabilities increased mainly due to changes in the pension liability and the addition of the net OPEB liability. Net position increased due to capital asset additions.

The Statement of Activities (page 11) 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 2019 and 2018 fiscal years.

City of Georgetown
Operating Results for the Years Ended June 30, 2019 & 2018

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for service	692,972	612,346	14,320,886	14,894,162	15,013,858	15,506,508
Operating grants and contributions	3,904,930	3,653,918	324,286	204,437	4,229,216	3,858,355
General revenues:						
Property taxes	2,414,262	2,322,231	-	-	2,414,262	2,322,231
License fees and permits	2,801,203	2,240,723	-	-	2,801,203	2,240,723
Occupational license fees	14,335,500	14,030,770	-	-	14,335,500	14,030,770
Insurance premium tax	2,995,505	2,878,955	-	-	2,995,505	2,878,955
Telecommunications excise tax	8,330	99,698	-	-	8,330	99,698
Interest and investment earnings	142,890	109,105	24,508	9,922	167,398	119,027
Fines and reimbursements	207,465	218,912	-	-	207,465	218,912
Other local revenues	40,186	53,456	24,600	-	64,786	53,456
Total revenues	27,543,243	26,220,114	14,694,280	15,108,521	42,237,523	41,328,635
Program Expenses:						
General government	2,699,445	2,631,309	-	-	2,699,445	2,631,309
Public protection						
Police	8,937,001	8,052,930	-	-	8,937,001	8,052,930
Fire	7,653,402	7,680,850	-	-	7,653,402	7,680,850
Telecommunications	1,914,033	1,776,462	-	-	1,914,033	1,776,462
Building inspection	527,741	656,820	-	-	527,741	656,820
Community Development	5,395,685	4,889,908	-	-	5,395,685	4,889,908
Codes Enforcement	306,981	257,026	-	-	306,981	257,026
Public works						
Road maintenance	5,626,905	5,183,182	-	-	5,626,905	5,183,182
Water & sewer treatment	-	-	13,917,426	12,980,817	13,917,426	12,980,817
Garbage collection	-	-	2,255,026	1,892,673	2,255,026	1,892,673
Recycling services	-	-	310,475	415,634	310,475	415,634
Stormwater management	-	-	431,920	325,971	431,920	325,971
Landfill postclosure care	-	-	91,649	89,580	91,649	89,580
Cemetery:						
Operations	-	-	417,580	370,833	417,580	370,833
Perpetual care	-	-	-	-	-	-
Interest on long-term debt	429,735	401,500	-	-	429,735	401,500
Total expenses	33,490,928	31,529,987	17,424,076	16,075,508	50,915,004	47,605,495
Excess (deficiency) before transfers and special items	(5,947,685)	(5,309,873)	(2,729,796)	(966,987)	(8,677,481)	(6,276,860)
Gain(Loss) on disposal of property	29,826	(74,477)	(32,917)	1,905	(3,091)	(72,572)
Capital grants and contributions	20,977,059	9,279,588	4,559,890	3,414,261	25,536,949	12,693,849
Capital asset transfer	-	-	-	-	-	-
Transfers	(405,524)	(435,005)	405,524	435,005	-	-
Prior period adjustment	-	-	-	-	-	-
Net increase (decrease) in net position	14,653,676	3,460,233	2,202,701	2,884,184	16,856,377	6,344,417

The City's revenues increased mainly due to increased Operating Grants and Contributions, increased Insurance Premium and Alcohol Regulatory Fees, and Occupational License Fees for Payroll Taxes. Revenues for business-type activities decreased mainly due to Charges for Service from Water/Sewer services.

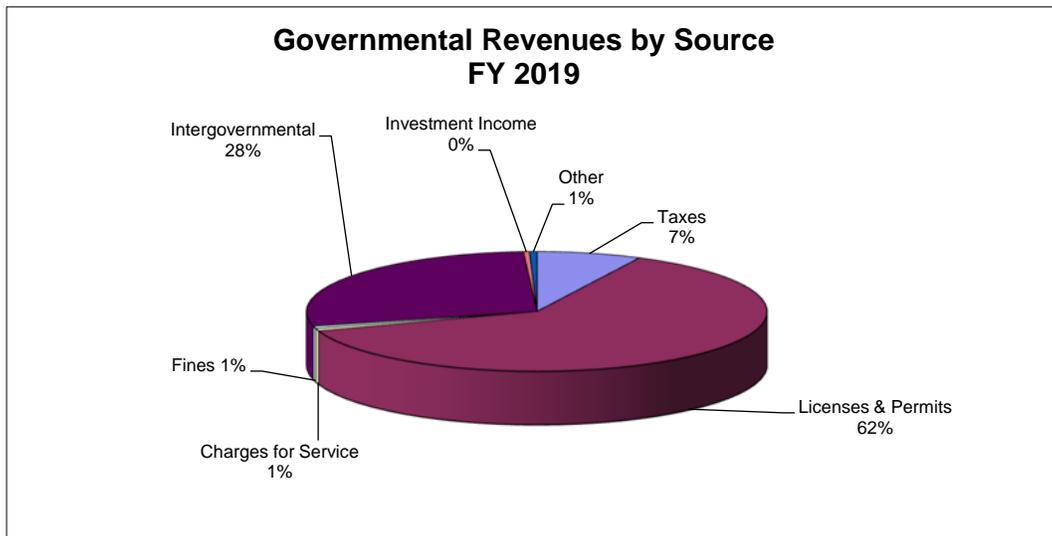
On the other side of the City's ledger, governmental operating costs increased due to rising salary and benefit costs, as well as continued efforts to improve infrastructure through road maintenance and upgrading equipment. Additionally, expenses greatly increased due to the City's requirement to report our portion of the Net Pension Liability and Net OPEB Liability. Transfers from Governmental Activities to Business-Type Activities included transfers to cover costs for Storm Water Management and Cemetery Operations. The operating costs for business-type activities increased compared to FY2018, with the main increases due to the operation of Water & Sewer services and Garbage Collection, due to increased salaries and benefits and increases in the City's portion of the Net Pension and OPEB liabilities.



Fund Financial Statements

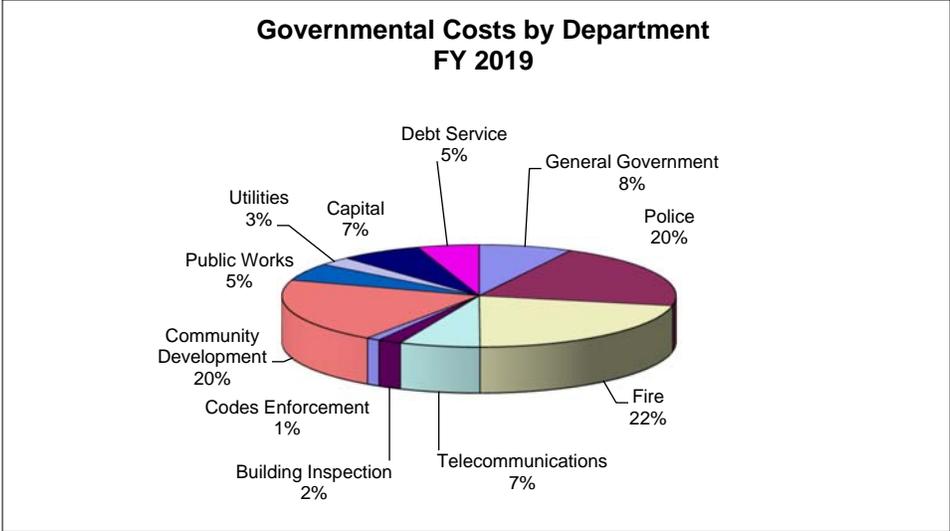
The main focus of Fund Financial Statements is on the specific activities of the City instead of the financial activities of the City as a whole. The City's fund financial statements are divided into Governmental Funds and Proprietary Funds.

- **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 (62%) on businesses and their employees. Taxes provide another 7% and intergovernmental revenues are 28% of the total governmental resources. Intergovernmental Revenues are higher than usual due to inter-local agreements with Scott County Fiscal Court for two large capital projects. Details about individual funds are reported on pages 12-15 and 59 - 60 of this report.

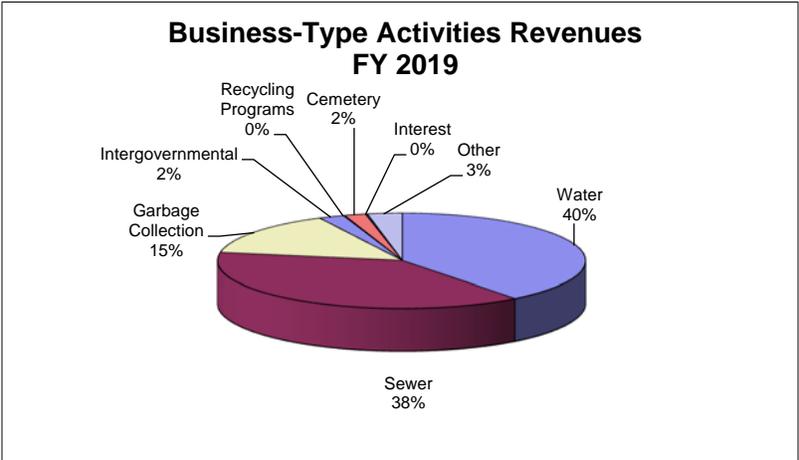


Governmental expenditures include basic services such as police, fire, code enforcement, public works, road maintenance, building inspection, and telecommunications/911. The following chart highlights the allocation among major categories. Community Development includes parks, planning and zoning, and 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 14 and 60 of this report.



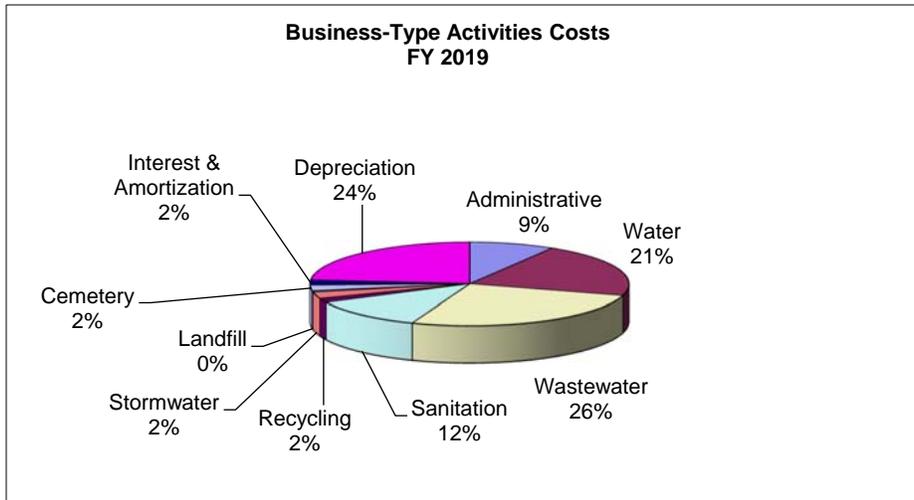


- Proprietary Funds.** The City's proprietary funds include the water, sewer, recycling, storm water, solid waste, and cemetery operations. These funds are financed with user fees based on consumption and the costs of providing these services. In FY 2019, \$310,046 was transferred from the General Fund to the Environmental Services Fund and \$95,478 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 17 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 47 of this report. Total revenues for the year were \$1,202,866 more than budgeted, and expenditures were \$1,014,491 less than budgeted to provide a net positive budget variance of \$4,459,215 for the year after accounting for other financing sources and uses. This is due to revenues being higher than anticipated, expenditures lower than anticipated, and transfers to other funds being less than anticipated. Nearly all revenue categories exceeded budget expectations and nearly all expenditures remained under budget for the year.

The original budget for FY 2020 uses approximately \$1,054,642 of prior year revenues in the General Fund to balance the fiscal year operating expenses. The City continues to work to maintain a balanced budget; however, budget amendments approved by Council during FY2020 use an additional \$991,937 of prior year revenues, mainly to address various capital expenditures that have come up during the current fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation expense for governmental assets totaled \$4.157 million while asset purchases totaled \$18,357,900. The City also has Construction in Progress of \$13,496,985 for various construction projects and capital purchases.

Debt service for the City's governmental funds is 5.1% of the total annual appropriations, slightly increased from prior years. This increase is mainly due to the additions of capital leases for vehicles.

The Georgetown Municipal Water and Sewer Service funds maintain a debt to equity ratio of 11%, with outstanding debt of \$9.2 million and net invested in capital assets of \$85.6 million.

Additional information about capital assets and liabilities is outlined on page 26 through 31 of this report.



OTHER SIGNIFICANT ISSUES AFFECTING FINANCIAL POSITION

The City continued design services and/or construction on multiple capital projects during FY2020, including CMAQ and TAP grant-funded street improvement projects, expansion of the Lanes Run Business Park, and a new Georgetown-Scott County Radio Network. Funding for grant matches and construction costs were transferred from the General Fund to the respective funds (Business Park, Grant, and Capital Projects) using prior year revenues during FY2019. Therefore, any impact on future budget cycles will be insignificant.

The Roman Catholic Diocese of Lexington paid the balance of the note receivable for the Cardome property lease agreement, including the portion that was for roof repairs paid by the City, on November 26, 2019.

The City was awarded a \$510,000 Community Development Block Grant (CDBG) for the Scattered Site Housing Project in the historic Boston Neighborhood in Georgetown, KY. The City has allocated \$34,000 in match funding for the project and was also awarded a \$200,000 Affordable Housing Trust Fund grant that will serve as additional match funds for CDBG. As of the date of this report, only \$14,000 of the City's matching funds have been expended for this project. The remaining project costs will be expended in FY2021 or later.

The COVID-19 global pandemic has had a significant impact on the City's budget preparation for FY2021. During the preparation of the budget, the City staff used conservative revenue estimates that showed a 5-30% reduction in varying revenue categories for the third quarter of FY2020 and the entirety of FY2021. By reducing expenditures significantly, the FY2021 Mayor's Proposed budget anticipated using approximately \$4.4 million of prior year revenues to balance the General Fund budget. This budget had first reading at a City Council meeting on June 8, 2020, and will be presented for second reading and adoption on June 22, 2020. As the City carefully monitors revenue trends for the final quarter of FY2020 and the first quarter of FY2021, it is anticipated that this budget will be amended after its adoption to show a more positive revenue trend.

The City will also receive an allocation from the Department of Local Government for the Coronavirus Aid, Relief and Economic Security (CARES) Act funding. Preliminary allocations have been projected based on population of local governments and will be finalized with an executed Memorandum of Agreement in early FY2021.

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, Jeff Nutter, at P.O. Box 640, Georgetown, Kentucky 40324.



CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			2018 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 16,649,793	\$ 798,351	\$ 17,448,144	\$ 21,989,892
Investments	1,153,087	-	1,153,087	1,146,893
Accounts receivable				
Taxes and licenses, net	1,074,147	-	1,074,147	1,412,539
Customer, net	-	1,648,812	1,648,812	1,518,929
Intergovernmental	3,716,626	174,210	3,890,836	825,643
Other	674,593	-	674,593	605,170
Accrued interest	1,063	-	1,063	3,334
Prepaid expenses	-	41,918	41,918	77,122
Internal balances	62,375	(62,375)	-	-
Total current assets	<u>23,331,684</u>	<u>2,600,916</u>	<u>25,932,600</u>	<u>27,579,522</u>
Noncurrent assets				
Restricted cash and cash equivalents	504,462	1,332,895	1,837,357	3,489,522
Restricted investments	358,386	1,445,748	1,804,134	1,467,934
Accrued interest receivable	-	4,607	4,607	1,840
Notes receivable	702,999	-	702,999	717,882
Other assets	-	-	-	12,632
Nondepreciable capital assets, land	10,786,279	3,327,872	14,114,151	14,487,005
Depreciable capital assets, net	83,545,486	91,912,921	175,458,407	157,951,592
Construction in progress	9,741,945	3,755,040	13,496,985	3,773,707
Total noncurrent assets	<u>105,639,557</u>	<u>101,779,083</u>	<u>207,418,640</u>	<u>181,902,114</u>
Total assets	<u>128,971,241</u>	<u>104,379,999</u>	<u>233,351,240</u>	<u>209,481,636</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	7,743,052	2,049,088	9,792,140	11,637,222
Deferred outflows - OPEB	3,335,478	850,823	4,186,301	5,075,311
Defeasance on refunding	-	6,144	6,144	7,589
Total deferred outflows of resources	<u>11,078,530</u>	<u>2,906,055</u>	<u>13,984,585</u>	<u>16,720,122</u>
Total assets and deferred outflows of resources	<u>\$ 140,049,771</u>	<u>\$ 107,286,054</u>	<u>\$ 247,335,825</u>	<u>\$ 226,201,758</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,480,625	\$ 249,687	\$ 1,730,312	\$ 1,083,457
Accrued liabilities	1,039,225	807,840	1,847,065	1,544,466
Contracts payable	-	703,789	703,789	38,556
Accrued interest payable	22,480	83,575	106,055	51,758
Customer deposits	396,996	266,915	663,911	524,913
Unearned revenue	183,224	-	183,224	69,430
Accrued compensated absences, current	80,037	68,684	148,721	141,401
Current portion of intergovernmental payable	15,000	-	15,000	15,000
Current portion of long-term debt	1,148,243	920,625	2,068,868	1,724,861
Total current liabilities	<u>4,365,830</u>	<u>3,101,115</u>	<u>7,466,945</u>	<u>5,193,842</u>
Noncurrent liabilities				
Compensated absences	586,939	653,146	1,240,085	1,194,546
Line of credit payable	-	470,077	470,077	631,548
Intergovernmental payable	105,000	-	105,000	120,000
Bonds and notes payable	11,111,520	7,826,049	18,937,569	19,826,359
Capital lease obligations	2,673,933	127,730	2,801,663	2,483,765
Net pension liability	30,605,489	9,394,222	39,999,711	37,773,818
Net OPEB liability	9,002,936	2,738,552	11,741,488	13,579,853
Total noncurrent liabilities	<u>54,085,817</u>	<u>21,209,776</u>	<u>75,295,593</u>	<u>75,609,889</u>
Total liabilities	<u>58,451,647</u>	<u>24,310,891</u>	<u>82,762,538</u>	<u>80,803,731</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	781,034	290,688	1,071,722	452,080
Deferred inflows - OPEB	2,001,560	519,760	2,521,320	822,079
Total deferred inflows of resources	<u>2,782,594</u>	<u>810,448</u>	<u>3,593,042</u>	<u>1,274,159</u>
NET POSITION				
Net investment in capital assets	89,140,014	90,121,429	179,261,443	152,177,319
Restricted	2,107,785	2,432,760	4,540,545	6,252,062
Unrestricted	(12,432,269)	(10,389,474)	(22,821,743)	(14,305,513)
Total net position	<u>78,815,530</u>	<u>82,164,715</u>	<u>160,980,245</u>	<u>144,123,868</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 140,049,771</u>	<u>\$ 107,286,054</u>	<u>\$ 247,335,825</u>	<u>\$ 226,201,758</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2018 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 2,699,445	\$ 81,784	\$ 19,283	\$ -	\$ (2,598,378)	\$ -	\$ (2,598,378)	\$ (2,076,597)
Public safety								
Police	8,937,001	108,575	382,358	-	(8,446,068)	-	(8,446,068)	(7,629,086)
Fire	7,653,402	-	280,814	-	(7,372,588)	-	(7,372,588)	(7,406,399)
Telecommunications	1,914,033	-	1,131,036	-	(782,997)	-	(782,997)	(646,713)
Building inspection	527,741	453,398	419,009	-	344,666	-	344,666	137,629
Codes enforcement	306,981	-	122,478	-	(184,503)	-	(184,503)	(177,374)
Public works	5,626,905	49,215	609,579	18,457,826	13,489,715	-	13,489,715	2,979,311
Community development	5,395,685	-	940,373	2,519,233	(1,936,079)	-	(1,936,079)	(2,763,406)
Interest on long-term debt	429,735	-	-	-	(429,735)	-	(429,735)	(401,500)
Total governmental activities	<u>33,490,928</u>	<u>692,972</u>	<u>3,904,930</u>	<u>20,977,059</u>	<u>(7,915,967)</u>	<u>-</u>	<u>(7,915,967)</u>	<u>(17,984,135)</u>
Business-type activities								
Georgetown Municipal Water & Sewer:								
Administration	1,587,434	-	-	-	-	(1,587,434)	(1,587,434)	(1,441,110)
Water distribution	5,225,007	4,942,443	-	4,213,747	-	3,931,183	3,931,183	2,424,639
Sewer collection and treatment	7,104,985	6,903,649	-	346,143	-	144,807	144,807	1,985,746
Environmental service:								
Sanitation	2,255,026	2,184,583	-	-	-	(70,443)	(70,443)	199,640
Recycling	310,475	18,685	234,735	-	-	(57,055)	(57,055)	(219,940)
Stormwater management	431,920	-	-	-	-	(431,920)	(431,920)	(325,971)
Cemetery operations	417,580	271,526	89,551	-	-	(56,503)	(56,503)	(96,072)
Solid waste management	91,649	-	-	-	-	(91,649)	(91,649)	(89,580)
Total business-type activities	<u>17,424,076</u>	<u>14,320,886</u>	<u>324,286</u>	<u>4,559,890</u>	<u>-</u>	<u>1,780,986</u>	<u>1,780,986</u>	<u>2,437,352</u>
Total primary government	<u>\$ 50,915,004</u>	<u>\$ 15,013,858</u>	<u>\$ 4,229,216</u>	<u>\$ 25,536,949</u>	<u>(7,915,967)</u>	<u>1,780,986</u>	<u>(6,134,981)</u>	<u>(15,546,783)</u>
General revenue								
Property and other local taxes					2,414,262	-	2,414,262	2,322,231
Occupational licenses					14,335,500	-	14,335,500	14,030,770
Insurance premium					2,995,505	-	2,995,505	2,878,955
Licenses, fees, and permits					2,801,203	-	2,801,203	2,240,723
Fines and reimbursements					207,465	-	207,465	218,912
Telecommunications excise tax					8,330	-	8,330	99,698
Interest income					142,890	24,508	167,398	119,027
Miscellaneous					40,186	24,600	64,786	53,456
Total general revenues					<u>22,945,341</u>	<u>49,108</u>	<u>22,994,449</u>	<u>21,963,772</u>
Gain (loss) on sale of property					29,826	(32,917)	(3,091)	(72,572)
Transfers					(405,524)	405,524	-	-
Total general revenues and transfers					<u>22,569,643</u>	<u>421,715</u>	<u>22,991,358</u>	<u>21,891,200</u>
Change in Net Position					14,653,676	2,202,701	16,856,377	6,344,417
Net position-beginning, restated					<u>64,161,854</u>	<u>79,962,014</u>	<u>144,123,868</u>	<u>137,779,451</u>
NET POSITION-ENDING					<u>\$ 78,815,530</u>	<u>\$ 82,164,715</u>	<u>\$ 160,980,245</u>	<u>\$ 144,123,868</u>

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

CITY OF GEORGETOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Business Park Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2018 Totals</u>
ASSETS						
Cash and cash equivalents	\$ 9,988,037	\$ 2,521,166	\$ 2,748,623	\$ 1,391,967	\$ 16,649,793	\$ 20,835,115
Restricted cash and cash equivalents	482,807	-	576	21,079	504,462	592,070
Investments	1,153,087	-	-	358,386	1,511,473	1,486,664
Accounts receivable:						
Taxes and licenses, net	1,074,147	-	-	-	1,074,147	1,412,539
Intergovernmental	957,423	928,309	1,304,841	526,053	3,716,626	753,164
Other	391,445	-	-	283,148	674,593	605,170
Accrued interest	1,063	-	-	-	1,063	3,334
Due from other funds	574,136	-	-	-	574,136	479,685
Notes receivable	702,999	-	-	-	702,999	717,882
Total Assets	<u>\$ 15,325,144</u>	<u>\$ 3,449,475</u>	<u>\$ 4,054,040</u>	<u>\$ 2,580,633</u>	<u>\$ 25,409,292</u>	<u>\$ 26,885,623</u>
LIABILITIES						
Accounts payable	\$ 641,320	\$ 341,770	\$ 139,160	\$ 358,375	\$ 1,480,625	\$ 928,234
Accrued payroll liabilities	1,039,225	-	-	-	1,039,225	750,691
Unearned revenue	30,050	-	62,498	90,676	183,224	69,430
Deposits	395,010	1,986	-	-	396,996	274,573
Compensated absences	80,037	-	-	-	80,037	76,583
Due to other funds	-	-	-	511,761	511,761	469,857
Total Liabilities	<u>2,185,642</u>	<u>343,756</u>	<u>201,658</u>	<u>960,812</u>	<u>3,691,868</u>	<u>2,569,368</u>
DEFERRED INFLOW OF RESOURCES						
Unavailable revenue	762,107	-	-	-	762,107	785,434
FUND BALANCE						
Fund Balance						
Restricted	488,396	-	-	1,619,389	2,107,785	2,503,580
Assigned	2,107,079	3,105,719	3,852,382	432	9,065,612	9,799,077
Committed	-	-	-	-	-	-
Unassigned	9,781,920	-	-	-	9,781,920	11,228,164
Total Fund Balance	<u>12,377,395</u>	<u>3,105,719</u>	<u>3,852,382</u>	<u>1,619,821</u>	<u>20,955,317</u>	<u>23,530,821</u>
Total Liabilities and Fund Balance	<u>\$ 15,325,144</u>	<u>\$ 3,449,475</u>	<u>\$ 4,054,040</u>	<u>\$ 2,580,633</u>	<u>\$ 25,409,292</u>	<u>\$ 26,885,623</u>

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

**CITY OF GEORGETOWN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

	2019	2018 Totals
Total Governmental Fund Balance	\$ 20,955,317	\$ 23,530,821
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.	104,073,710	82,531,948
Long-term receivables are not reported in the fund financial statements because they are not current financial resources and are unavailable revenues. They are reported in the statement of net position.	762,107	785,434
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	(14,933,696)	(14,899,704)
Long-term intergovernmental payable	(120,000)	(135,000)
Long-term compensated absences liability	(586,939)	(561,608)
Accrued interest on long-term debt	(22,480)	(23,125)
Net deferred inflows/outflows related to the long-term net pension and OPEB liability	8,295,936	12,722,678
Long-term net pension and OPEB liability	(39,608,425)	(39,789,590)
Net Position of Governmental Activities	\$ 78,815,530	\$ 64,161,854

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	<u>General Fund</u>	<u>Business Park Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2018 Totals</u>
REVENUES						
Taxes	\$ 2,422,592	\$ -	\$ -	\$ -	\$ 2,422,592	\$ 2,421,929
Licenses and permits	19,514,539	-	-	1,071,067	20,585,606	19,569,622
Charges for service	224,574	-	-	-	224,574	178,172
Fines	207,465	-	-	-	207,465	218,912
Intergovernmental	3,135,973	1,511,384	2,702,345	1,898,850	9,248,552	4,532,666
Investment income	107,156	-	398	35,336	142,890	109,105
Other revenue	63,514	106,356	-	-	169,870	1,113,825
Total Revenues	<u>25,675,813</u>	<u>1,617,740</u>	<u>2,702,743</u>	<u>3,005,253</u>	<u>33,001,549</u>	<u>28,144,231</u>
EXPENDITURES						
Current						
Administration	1,540,301	-	-	47,618	1,587,919	1,521,694
City Council	194,464	-	-	-	194,464	187,337
City Clerk	210,142	-	-	-	210,142	210,642
Police	5,203,581	-	676	1,097,535	6,301,792	5,867,645
Fire	5,542,417	-	-	-	5,542,417	5,448,089
Telecommunications	1,674,725	-	-	-	1,674,725	1,562,606
Building inspection	491,602	-	-	-	491,602	487,121
Codes enforcement	279,752	-	-	-	279,752	200,984
Public works	1,410,934	-	-	859,416	2,270,350	2,180,071
Community development	5,186,954	71	139,160	69,500	5,395,685	4,889,908
Utilities	684,163	-	-	-	684,163	589,341
Capital outlay	1,713,568	2,837,769	5,088,597	1,234,598	10,874,532	4,549,184
Debt service	1,284,114	73,425	-	-	1,357,539	1,107,576
Total Expenditures	<u>25,416,717</u>	<u>2,911,265</u>	<u>5,228,433</u>	<u>3,308,667</u>	<u>36,865,082</u>	<u>28,802,198</u>
Excess of Revenues Over (Under) Expenditures	259,096	(1,293,525)	(2,525,690)	(303,414)	(3,863,533)	(657,967)
OTHER FINANCING SOURCES (USES)						
Lease proceeds	961,149	-	-	-	961,149	1,000,178
Proceeds from sale of capital assets	54,924	677,480	-	-	732,404	40,602
Transfers in (out)	(10,323,245)	3,551,383	6,372,265	(5,927)	(405,524)	(435,005)
Net change in fund balance	(9,048,076)	2,935,338	3,846,575	(309,341)	(2,575,504)	(52,192)
Fund Balance, beginning of year	<u>21,425,471</u>	<u>170,381</u>	<u>5,807</u>	<u>1,929,162</u>	<u>23,530,821</u>	<u>23,583,013</u>
Fund Balance, end of year	<u>\$ 12,377,395</u>	<u>\$ 3,105,719</u>	<u>\$ 3,852,382</u>	<u>\$ 1,619,821</u>	<u>\$ 20,955,317</u>	<u>\$ 23,530,821</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, 2019

	2019	2018 Totals
Net Change in Fund Balances - Total Governmental Funds	\$ (2,575,504)	\$ (52,192)
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.	10,874,532	4,549,184
Depreciation expense is reported in the statement of activities to recognize the cost of capital assets used to provide programs and services.	(4,157,271)	(3,470,287)
Gain (loss) on sale of assets do not provide current financial resources but are reported in the statement of activities.	29,826	(74,477)
Current period collections on the Cardome long-term receivable are financial resources in the fund statements and recognized as collected.	(23,326)	(60,368)
Proceeds from sale of assets are reported at net gain or loss in the statement of activities.	(732,404)	(40,602)
Proceeds from capital leases are reported as other financing sources in the fund financial statements and as long-term debt in the statement of net position.	(961,149)	(1,000,178)
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.	(25,332)	(7,245)
Donated land and streets are not recorded in the fund financial statements.	15,633,433	7,400,840
Privilege fee refund recognized as revenue in the fund financials and a reduction of the related capital asset in the statement of net position.	(106,356)	-
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	934,391	712,950
Amortization of bond premium	7,768	7,768
Change in net pension and OPEB liabilities	(4,245,580)	(4,505,518)
Adjustment in accrued interest on long-term debt	648	358
Change in Net Position of Governmental Activities	\$ 14,653,676	\$ 3,460,233

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2018 Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 378,313	\$ 420,038	\$ -	\$ -	\$ 798,351	\$ 1,154,777
Accounts receivable						
Customer, net of allowance	1,443,984	175,988	-	28,840	1,648,812	1,518,929
Intergovernmental	-	82,656	-	91,554	174,210	72,479
Prepaid expenses	41,918	-	-	-	41,918	77,122
Total current assets	<u>1,864,215</u>	<u>678,682</u>	<u>-</u>	<u>120,394</u>	<u>2,663,291</u>	<u>2,823,307</u>
Noncurrent assets						
Restricted cash and cash equivalents	1,332,895	-	-	-	1,332,895	2,897,452
Restricted investments	1,418,292	-	27,456	-	1,445,748	1,128,163
Accrued interest receivable	4,607	-	-	-	4,607	1,840
Other assets	-	-	-	-	-	12,632
Capital assets						
Construction in progress	3,755,040	-	-	-	3,755,040	2,075,471
Land and easements	858,687	9,000	2,427,043	33,142	3,327,872	3,327,872
Buildings and improvements	9,275,678	211,593	-	412,707	9,899,978	9,732,294
Utility plants in service	159,455,151	-	-	-	159,455,151	152,436,542
Vehicles and equipment	2,054,525	2,516,527	-	289,224	4,860,276	4,814,455
Less accumulated depreciation	(81,036,051)	(1,087,558)	-	(178,875)	(82,302,484)	(78,706,278)
Total noncurrent assets	<u>97,118,824</u>	<u>1,649,562</u>	<u>2,454,499</u>	<u>556,198</u>	<u>101,779,083</u>	<u>97,720,443</u>
Total assets	<u>98,983,039</u>	<u>2,328,244</u>	<u>2,454,499</u>	<u>676,592</u>	<u>104,442,374</u>	<u>100,543,750</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	1,620,292	377,546	-	51,250	2,049,088	2,309,902
Deferred outflows - OPEB	683,460	147,360	-	20,003	850,823	857,482
Defeasance on refunding	6,144	-	-	-	6,144	7,589
Total deferred outflows of resources	<u>2,309,896</u>	<u>524,906</u>	<u>-</u>	<u>71,253</u>	<u>2,906,055</u>	<u>3,174,973</u>
Total assets and deferred outflows of resources	<u>\$ 101,292,935</u>	<u>\$ 2,853,150</u>	<u>\$ 2,454,499</u>	<u>\$ 747,845</u>	<u>\$ 107,348,429</u>	<u>\$ 103,718,723</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 134,255	\$ 100,312	\$ 9,328	\$ 5,792	\$ 249,687	\$ 155,223
Accrued liabilities	783,907	21,433	-	2,500	807,840	793,775
Contracts payable	703,789	-	-	-	703,789	38,556
Compensated absences	58,964	6,983	-	2,737	68,684	64,818
Interfund payable	-	-	18,129	44,246	62,375	9,828
Accrued interest payable	83,575	-	-	-	83,575	28,633
Current portion of long-term debt	887,000	24,908	-	8,717	920,625	864,561
Customer deposits	266,915	-	-	-	266,915	250,340
Total current liabilities	<u>2,918,405</u>	<u>153,636</u>	<u>27,457</u>	<u>63,992</u>	<u>3,163,490</u>	<u>2,205,734</u>
Long-term liabilities						
Compensated absences	581,866	51,209	-	20,071	653,146	632,938
Line of credit payable	470,077	-	-	-	470,077	631,548
Bonds, notes, and loans payable	7,826,049	-	-	-	7,826,049	8,157,071
Capital lease	-	86,311	-	41,419	127,730	113,649
Net pension liability	7,509,285	1,659,649	-	225,288	9,394,222	8,607,724
Net OPEB liability	2,189,060	483,816	-	65,676	2,738,552	2,956,357
Total long-term liabilities	<u>18,576,337</u>	<u>2,280,985</u>	<u>-</u>	<u>352,454</u>	<u>21,209,776</u>	<u>21,099,287</u>
Total liabilities	<u>21,494,742</u>	<u>2,434,621</u>	<u>27,457</u>	<u>416,446</u>	<u>24,373,266</u>	<u>23,305,021</u>
DEFERRED INFLOWS OR RESOURCES						
Deferred inflows - pension	240,495	44,194	-	5,999	290,688	296,901
Deferred inflows - OPEB	415,457	91,837	-	12,466	519,760	154,787
Total deferred inflows of resources	<u>655,952</u>	<u>136,031</u>	<u>-</u>	<u>18,465</u>	<u>810,448</u>	<u>451,688</u>
NET POSITION						
Net investment in capital assets	85,649,981	1,538,343	2,427,043	506,062	90,121,429	84,545,075
Restricted for debt service	2,405,304	-	-	-	2,405,304	3,721,026
Restricted for other purposes	-	-	27,456	-	27,456	27,456
Unrestricted	(8,913,044)	(1,255,845)	(27,457)	(193,128)	(10,389,474)	(8,331,543)
Total net position	<u>79,142,241</u>	<u>282,498</u>	<u>2,427,042</u>	<u>312,934</u>	<u>82,164,715</u>	<u>79,962,014</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 101,292,935</u>	<u>\$ 2,853,150</u>	<u>\$ 2,454,499</u>	<u>\$ 747,845</u>	<u>\$ 107,348,429</u>	<u>\$ 103,718,723</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, 2019

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2018 Totals
Operating revenues						
Water revenue	\$ 4,404,434	\$ -	\$ -	\$ -	\$ 4,404,434	\$ 4,367,887
Sewer revenue	4,611,243	-	-	-	4,611,243	4,485,928
Sanitation revenue	-	2,184,583	-	-	2,184,583	2,092,313
Recycling revenue	-	18,685	-	-	18,685	39,357
Cemetery revenue	-	-	-	271,526	271,526	226,661
Intergovernmental	-	234,735	-	89,551	324,286	204,437
Connection fees	977,273	-	-	-	977,273	1,972,783
Commercial user fees	1,399,505	-	-	-	1,399,505	1,342,800
Miscellaneous	355,383	-	-	24,600	379,983	257,891
Penalties	98,254	-	-	-	98,254	108,542
	<u>11,846,092</u>	<u>2,438,003</u>	<u>-</u>	<u>385,677</u>	<u>14,669,772</u>	<u>15,098,599</u>
Operating expenses						
Administrative	1,503,486	-	-	-	1,503,486	1,361,039
Water	3,643,742	-	-	-	3,643,742	3,569,744
Wastewater	4,585,177	-	-	-	4,585,177	4,016,150
Sanitation	-	2,061,396	-	-	2,061,396	1,737,121
Recycling	-	277,215	-	-	277,215	396,690
Stormwater	-	431,920	-	-	431,920	325,971
Landfill	-	-	91,649	-	91,649	89,580
Cemetery	-	-	-	376,108	376,108	334,350
Depreciation	3,839,868	226,890	-	41,472	4,108,230	3,871,607
	<u>13,572,273</u>	<u>2,997,421</u>	<u>91,649</u>	<u>417,580</u>	<u>17,078,923</u>	<u>15,702,252</u>
Total operating expenses						
Operating income (loss)	<u>(1,726,181)</u>	<u>(559,418)</u>	<u>(91,649)</u>	<u>(31,903)</u>	<u>(2,409,151)</u>	<u>(603,653)</u>
Nonoperating revenues (expenses)						
Interest income	24,038	470	-	-	24,508	9,922
Interest expense	(319,090)	-	-	-	(319,090)	(371,111)
Amortization expense	(26,063)	-	-	-	(26,063)	(2,145)
Gain (loss) on disposal of capital assets	9,313	(42,230)	-	-	(32,917)	1,905
	<u>(311,802)</u>	<u>(41,760)</u>	<u>-</u>	<u>-</u>	<u>(353,562)</u>	<u>(361,429)</u>
Total nonoperating revenue (expenses)						
Income (loss) before capital contributions and transfers	<u>(2,037,983)</u>	<u>(601,178)</u>	<u>(91,649)</u>	<u>(31,903)</u>	<u>(2,762,713)</u>	<u>(965,082)</u>
Capital contributed						
Developer contributions	4,213,747	-	-	-	4,213,747	2,132,283
Commercial user contributions	346,143	-	-	-	346,143	1,281,978
Transfers in (out)	-	310,046	-	95,478	405,524	435,005
	<u>2,521,907</u>	<u>(291,132)</u>	<u>(91,649)</u>	<u>63,575</u>	<u>2,202,701</u>	<u>2,884,184</u>
Change in net position						
Net position at beginning of year	<u>76,620,334</u>	<u>573,630</u>	<u>2,518,691</u>	<u>249,359</u>	<u>79,962,014</u>	<u>77,077,830</u>
NET POSITION AT END OF YEAR	<u>\$ 79,142,241</u>	<u>\$ 282,498</u>	<u>\$ 2,427,042</u>	<u>\$ 312,934</u>	<u>\$ 82,164,715</u>	<u>\$ 79,962,014</u>

The accompanying notes are an integral
part of the financial statements

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2018 Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 11,366,268	\$ 2,384,154	\$ -	\$ 324,328	\$ 14,074,750	\$ 14,822,629
Payments to suppliers	(3,684,718)	(1,141,829)	(87,933)	(190,152)	(5,104,632)	(4,674,055)
Payments for employee services and benefits	(5,095,252)	(1,251,198)	-	(163,123)	(6,509,573)	(6,324,673)
Other receipts (payments)	355,383	-	-	24,600	379,983	257,891
Net cash provided (used) by operating activities	<u>2,941,681</u>	<u>(8,873)</u>	<u>(87,933)</u>	<u>(4,347)</u>	<u>2,840,528</u>	<u>4,081,792</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	310,046	18,129	129,896	458,071	419,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(8,250,615)	(399,535)	-	(123,489)	(8,773,639)	(6,037,482)
Capital contributions	4,559,890	-	-	-	4,559,890	3,414,261
Proceeds from disposal of capital assets	9,313	19,390	-	-	28,703	9,051
Proceeds from debt issuance	3,949,000	-	-	-	3,949,000	-
Principal paid on capital debt	(4,234,272)	(25,741)	-	(2,060)	(4,262,073)	(1,094,498)
Net draws on line of credit	(161,471)	-	-	-	(161,471)	-
Interest paid on capital debt	(264,148)	-	-	-	(264,148)	(373,723)
Net cash (used) by capital and related financing activities	<u>(4,392,303)</u>	<u>(405,886)</u>	<u>-</u>	<u>(125,549)</u>	<u>(4,923,738)</u>	<u>(4,082,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(311,863)	-	-	-	(311,863)	-
Interest income	21,271	470	-	-	21,741	(2,206)
Interest income reinvested in restricted investments	(5,722)	-	-	-	(5,722)	9,869
Net cash provided (used) by investing activities	<u>(296,314)</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>(295,844)</u>	<u>7,663</u>
NET INCREASE (DECREASE) IN CASH	(1,746,936)	(104,243)	(69,804)	-	(1,920,983)	426,827
Cash and cash equivalents at beginning of year	3,458,144	524,281	69,804	-	4,052,229	3,625,402
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,711,208	\$ 420,038	\$ -	\$ -	\$ 2,131,246	\$ 4,052,229
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (1,726,181)	\$ (559,418)	\$ (91,649)	\$ (31,903)	\$ (2,409,151)	\$ (603,653)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	3,839,868	226,890	-	41,472	4,108,230	3,871,607
Net OPEB liability	92,070	60,695	-	1,062	153,827	122,692
Net pension liability	730,679	291,115	-	19,305	1,041,099	846,655
Change in assets and liabilities:						
Receivables, net	(141,016)	(53,849)	-	(36,749)	(231,614)	(26,679)
Prepaid expense	35,204	-	-	-	35,204	1,770
Accounts and other payables	94,482	18,137	3,716	317	116,652	(135,341)
Accrued expenses	-	7,557	-	2,149	9,706	(3,859)
Customer deposits	16,575	-	-	-	16,575	8,600
Net cash provided (used) by operating activities	<u>\$ 2,941,681</u>	<u>\$ (8,873)</u>	<u>\$ (87,933)</u>	<u>\$ (4,347)</u>	<u>\$ 2,840,528</u>	<u>\$ 4,081,792</u>
Reconciliation of total cash and cash equivalents:						
Current assets - cash and cash equivalents	\$ 378,313	\$ 420,038	\$ -	\$ -	\$ 798,351	\$ 1,154,777
Restricted cash	1,332,895	-	-	-	1,332,895	2,897,452
Total cash and cash equivalents	<u>\$ 1,711,208</u>	<u>\$ 420,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,131,246</u>	<u>\$ 4,052,229</u>
Supplemental disclosures of cash flow information:						
Noncash capital and related financing activities:						
Net change in capital assets payable	\$ 671,478	\$ -	\$ -	\$ -	\$ 671,478	\$ 177,024
Amortization expense	\$ 26,063	\$ -	\$ -	\$ -	\$ 26,063	\$ 2,145

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, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Georgetown, Kentucky (the 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, 2019

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

Major Funds:

The **General Fund** accounts for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

The **Capital Projects Fund** is a capital projects fund that 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 projects is accounted for in the fund.

The **Business Park Fund** is a special revenue fund that 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.

Non-major Funds:

The **Municipal Aid Fund** is a special revenue fund that 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** is a special revenue fund that 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 **Drug Forfeiture Fund** is a special revenue fund that 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 & Federal Grants Fund** is a special revenue fund that accounts for the receipt and disbursement of grant programs financed with grants from the federal government and the Commonwealth of Kentucky.

The **Cemetery Perpetual Care Fund** is a permanent fund that holds the funds required to be held in trust for the benefit of the Georgetown Cemetery.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

Non-major Funds (continued):

The **Alcohol Fund** is a special revenue fund that 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.

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 **Municipal Water & 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 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."

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Investments are carried at fair value, except for certificates of deposit which are reported at cost. Fair value is based on quoted market price. Investments consist of certificates of deposit, common stocks, and mutual funds held by the Cemetery Trust Fund.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (continued)

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 2018. Liens have been filed on these properties for all unpaid property taxes. At June 30, 2019, the allowance for doubtful accounts totaled \$168,815 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.

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 assets’ estimated useful lives, using the straight-line method of depreciation.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (continued)

Capital Assets (continued)

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.

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, 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.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (continued)

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.

E. Revenues, Expenditures and Expenses

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 and gains on disposals of capital assets are 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. Nonoperating expenses include interest expense, amortization expense and losses on disposal of 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. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

I. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through June 8, 2020, 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, 2019, have not been evaluated by the City.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

2. CASH AND INVESTMENTS

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

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, 2019, the City had \$26,073,524 in financial institutions, of which \$2,563,494 was insured by FDIC insurance, SIPC insurance, or secured by U.S. government obligations. The City had \$28,501,032 in collateral pledged in the City's name to secure the remaining deposits.

Interest Rate Risk

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

Concentration of Credit Risk

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

The City's investments at June 30, 2019, are as follows:

<u>Type of Investments</u>	<u>Book Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 – 5 Years</u>
Governmental activities:			
Certificates of deposit	\$ 1,153,087	\$ 476,200	\$ 676,887
Mutual funds	298,232	298,232	-
Common stock	60,154	60,154	-
Total governmental activities	<u>\$ 1,511,473</u>	<u>\$ 834,586</u>	<u>\$ 676,887</u>
Business-type activities:			
Certificates of deposit	<u>\$ 1,445,748</u>	<u>\$ 250,000</u>	<u>\$ 1,195,748</u>

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

Investment Valuation (continued)

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 298,232	\$ 298,232	\$ -	\$ -
Common stock	60,154	60,154	-	-
Total	\$ 358,386	\$ 358,386	\$ -	\$ -

3. CAPITAL ASSETS

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

	July 1, 2018 Balance	Additions	Retirements	June 30, 2019 Balance
Governmental activities:				
Capital assets not depreciated				
Land	\$ 11,159,133	\$ 293,146	\$ (666,000)	\$ 10,786,279
Construction in progress	1,698,236	8,955,021	(911,312)	9,741,945
Total	12,857,369	9,248,167	(1,577,312)	20,528,224
Capital assets being depreciated				
Land improvements	31,270	-	-	31,270
Buildings	29,535,593	4,220	-	29,539,813
Vehicles	6,753,332	1,204,107	(326,723)	7,630,737
Equipment	5,868,402	287,932	(39,077)	6,117,257
Infrastructure	87,233,305	16,568,495	-	103,801,800
Total	129,421,902	18,064,754	(365,779)	147,120,877
Accumulated depreciation	(59,747,323)	(4,157,271)	329,203	(63,575,391)
Governmental activities capital assets, net	\$ 82,531,948	\$ 23,155,650	\$ (1,613,888)	\$ 104,073,710

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

3. CAPITAL ASSETS (CONTINUED)

	<u>July 1, 2018</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u> <u>Balance</u>
Business-type activities:				
Capital assets not depreciated				
Land	\$ 3,327,872	\$ -	\$ -	\$ 3,327,872
Construction in progress	<u>2,075,471</u>	<u>3,691,887</u>	<u>(2,012,318)</u>	<u>3,755,040</u>
Total	<u>5,403,343</u>	<u>3,691,887</u>	<u>(2,012,318)</u>	<u>7,082,912</u>
Capital assets being depreciated				
Land improvements	19,562	91,075	-	110,637
Buildings	8,142,355	7,748	-	8,150,103
Vehicles	3,945,337	515,367	(573,646)	3,887,058
Equipment	2,439,496	172,958	-	2,612,454
Utility plant	<u>152,436,542</u>	<u>7,018,612</u>	<u>-</u>	<u>159,455,155</u>
Total	<u>166,983,292</u>	<u>7,805,760</u>	<u>(573,646)</u>	<u>174,215,406</u>
Accumulated depreciation	<u>(78,706,279)</u>	<u>(4,108,230)</u>	<u>512,024</u>	<u>(82,302,485)</u>
Business-type activities capital assets, net	<u>\$ 93,680,356</u>	<u>\$ 7,389,417</u>	<u>\$ (2,073,940)</u>	<u>\$ 98,995,833</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 457,893
Public Protection	
Police	510,330
Fire Protection	431,390
Telecommunications	33,529
Code Enforcement	42,743
Building Inspection	11,445
Public Works	<u>2,669,941</u>
	<u>\$ 4,157,271</u>

4. LONG-TERM NOTE RECEIVABLE

On May 11, 2017, the City entered into a lease agreement with the Roman Catholic Diocese of Lexington ("Diocese") for the property known as Cardome. The lease is for 20 years and requires fixed rent of \$50,100. Every fifth year, rent will increase by the consumer price index. The Diocese has the option to purchase the property for \$1,000,000, with \$50,000 of each annual rental payment going toward the purchase price. By the end of the lease, the property will be paid for and the Diocese is expected to exercise the option to transfer the deed. The deed is held in escrow to facilitate the transfer. As such, the lease is substantially an installment-type sales contract and the Cardome assets have been removed from the City's records. A receivable of \$702,999, which represents the net present value of the sales price, is recorded on the City's government-wide financial statements. This balance represents the \$1,000,000 sales price, discounted at the applicable federal rate for long-term notes of 2.75%, less payments received through June 30, 2019. The receivable is considered unavailable for fund purposes and is offset with a deferred inflow of resources in the governmental fund financial statements. After year end, the Diocese exercised their option to purchase the property and the balance of the receivable was paid.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

4. LONG-TERM NOTE RECEIVABLE (CONTINUED)

As part of the lease agreement the Diocese also agreed to reimburse the City for repairs done on the Cardome property. The outstanding receivable at June 30, 2019 was \$59,108. The amount is a long-term receivable and is not considered to be available for governmental fund purposes. This amount is offset with a deferred inflow of resources in the governmental fund financial statements. Subsequent to year end, on November 26, 2019, the receivable balance was paid in full by the Diocese.

5. 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. The City has also entered into various capital leases for fleet management of vehicles. Terms vary for each individual lease but are recorded on the financial statements at the net present value of the lease.

6. 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 5 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 equal to LIBOR plus 1.50%. The lease expires May 2025, at which time title to the leasehold improvements is transferred to the City.	\$ 399,279
20-year capital lease for the construction of a swimming pool and aquatics center. Interest is based on a variable rate equal to LIBOR plus 1.50%. The lease expires March 2026, at which time the title to the pool and aquatics center is transferred to the City.	1,209,005
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.	7,605,000
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.	3,955,000
Capital lease for numerous copiers under an agreement with US Bank. The agreement has an interest rate of 6.38% and calls for monthly payments through March 2024.	97,093
Numerous capital leases for vehicles leased under a fleet management agreement with Enterprise during 2019 and 2018. Leases are for 48-60 months and payments are due monthly.	1,551,799
Bond Premiums	<u>116,520</u>
Total governmental activity debt	<u>\$ 14,933,696</u>

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

6. LONG-TERM DEBT (CONTINUED)

Governmental Activities (continued)

The changes in long-term liabilities, excluding net pension and OPEB liability, during the fiscal year ended June 30, 2019, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Capital leases	\$ 2,770,416	\$ 961,149	\$ 474,389	\$ 3,257,176	\$ 583,243
Bond payable	12,005,000	-	445,000	11,560,000	565,000
Intergovernmental payable	135,000	-	15,000	120,000	15,000
Compensated absences	<u>638,191</u>	<u>45,625</u>	<u>16,840</u>	<u>666,976</u>	<u>80,037</u>
Total Governmental	<u>\$ 15,548,607</u>	<u>\$ 1,006,774</u>	<u>\$ 951,229</u>	<u>\$ 15,604,152</u>	<u>\$ 1,243,280</u>

The annual debt service requirements to maturity, including principal, interest and fees for capital leases and bonds payable as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2020	\$ 1,148,243	\$ 453,268	\$ 6,724	\$ 1,608,235
2021	1,173,971	418,579	5,986	1,598,536
2022	1,268,366	381,187	5,210	1,654,763
2023	1,196,810	338,906	4,403	1,540,119
2024	914,224	299,994	3,569	1,217,787
2025 – 2029	4,465,562	1,160,491	3,644	5,629,697
2030 – 2034	<u>4,650,000</u>	<u>445,243</u>	<u>-</u>	<u>5,095,243</u>
	<u>\$ 14,817,176</u>	<u>\$ 3,497,668</u>	<u>\$ 29,536</u>	<u>\$ 18,344,380</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.

	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Revenue bonds:			
Water and Sewer, Series 2013A	2.00-4.250%	2033	\$ 3,630,000
Water and Sewer, Series 2013B	1.00-3.000%	2023	1,100,000
Water and Sewer, Series 2018A	2.800%	2027	3,949,000
Bond premium			<u>34,049</u>
Total revenue bonds			<u>8,713,049</u>
Other long-term obligations:			
Line of credit			470,077
Capital leases			161,355
Compensated absences – GMWSS			640,830
Compensated absences – Environmental Services			58,192
Compensated absences – Cemetery Operations			<u>22,808</u>
Total other long-term obligations			<u>1,353,261</u>
Total obligations			<u>\$ 10,066,311</u>

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

6. LONG-TERM DEBT (CONTINUED)

Business-type Activities (continued)

	<u>Outstanding Principal</u>
Total obligations (continued)	\$ <u>10,066,311</u>
Less current portion of revenue bonds	887,000
Less current portion of capital leases	33,625
Less current portion of compensated absences	<u>68,684</u>
Total long-term liabilities	<u>\$ 9,077,002</u>

The changes in long-term liabilities, excluding net pension and OPEB liability, during 2019 are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$ 8,974,833	\$ 3,949,000	\$ 4,244,833	\$ 8,679,000	\$ 887,000
Line of credit	631,548	134,415	295,886	470,077	-
Capital leases	136,960	52,195	27,800	161,355	33,625
Compensated absences	<u>697,756</u>	<u>24,074</u>	<u>-</u>	<u>721,830</u>	<u>68,684</u>
Total Business-type	<u>\$10,441,097</u>	<u>\$ 4,159,684</u>	<u>\$ 4,568,519</u>	<u>\$ 10,032,262</u>	<u>\$ 989,309</u>

The annual debt service requirements to maturity, including principal and interest for bonds and capital leases as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 920,625	\$ 281,631	\$ 1,202,256
2021	944,203	256,469	1,200,672
2022	968,951	230,695	1,199,646
2023	1,003,731	202,880	1,206,611
2024	703,845	172,992	876,837
2025 – 2029	3,069,000	525,022	3,594,022
2030 – 2033	<u>1,230,000</u>	<u>132,513</u>	<u>1,362,513</u>
	<u>\$ 8,840,355</u>	<u>\$ 1,802,202</u>	<u>\$ 10,642,557</u>

Description of Bonds

2007A Kentucky Rural Water Finance Corporation Bonds

The Kentucky Rural Water Finance Corporation Water and Sewer Revenue Bonds, Series 2007A are secured by a pledge of all system gross income and revenues. The bonds were redeemed with the issuance of the 2018A Revenue bonds during the year ended June 30, 2019.

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.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

6. LONG-TERM DEBT (CONTINUED)

Business-type Activities (continued)

Description of Bonds

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 were 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 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.

During 2019, the City sold \$3,949,000 of Water and Sewer Revenue Bonds, Series 2018A. The bonds are secured by gross revenues of the System as more fully described in the ordinance. The Series 2018A Bonds were issued for the purposes of: (a) redeem the 2007A Kentucky Rural Water Finance Corporation bonds; and (b) paying costs of issuance of the Series 2018A Bonds. As a result of the refunding the Water and Sewer Service reduced debt service by \$205,566 over the next 8 years. The present value of the cash flow savings and economic gain was \$178,155.

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 \$1,552,269 at June 30, 2019. This reserve was fully funded at June 30, 2019.

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 \$886,949 at June 30, 2019.

Description of Capital Leases

During 2019, the City of Georgetown entered into numerous capital leases for vehicles leased under a fleet management agreement with Enterprise. Leases are for 48-60 months and payments are due monthly.

7. INTERGOVERNMENTAL PAYABLE

During the year ended June 30, 2017, it was noted that the Scott County Fiscal Court had improperly funded property insurance through parks and recreation for City owned buildings. It was determined that the City owed the Fiscal Court \$150,000 related to the insurance payments. The City and the Fiscal Court entered into an interlocal agreement that calls for the City to allow the Fiscal Court to occupy space at the City's building, in exchange for the forgiveness of debt. The agreement calls for annual debt forgiveness of \$15,000 over the period of ten years. As of June 30, 2019, the intergovernmental payable balance was \$120,000.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

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, 2019, 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, 2019, 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 contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members' contributions were allocated 16.22% to the pension trust for non-hazardous job classifications and 24.87% to the pension trust 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.

Plan members who began participating on, or after, January 1, 2014, are 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, 2019, the City contributed \$1,436,275, or 100% of the required contribution for non-hazardous job classifications. The contribution was allocated \$1,084,561 to the CERS pension fund and \$351,714 to the CERS insurance fund. For the year ended June 30, 2019, the City contributed \$2,044,070, or 100% of the required contribution for hazardous job classifications. The contribution was allocated \$1,438,484 to the CERS pension fund and \$605,586 to the CERS insurance fund.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

9. RETIREMENT PLAN (CONTINUED)

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age to equal 87+ Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net			
Pension Liability	Non-hazardous	Hazardous	
<u>\$ 39,999,711</u>	<u>\$ 15,471,019</u>	<u>\$ 24,528,692</u>	

The net pension liability was measured as of June 30, 2018, 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, 2018, was as follows:

Non-hazardous	Hazardous
0.2540%	1.0142%

The proportionate share at June 30, 2018, increased by .0064 percent for non-hazardous and decreased by .0263 percent for hazardous to the proportionate share as of June 30, 2018.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2019, the City recognized pension expense of \$7,197,301. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 2,456,691	\$ 226,463
Changes of assumptions	4,122,965	-
Net difference between projected and actual earnings on Plan investments	-	462,179
Changes in proportion and differences between City contributions and proportionate share of contributions	711,702	383,080
City contributions subsequent to the measurement date	<u>2,500,782</u>	<u>-</u>
Total	<u>\$ 9,792,140</u>	<u>\$ 1,071,722</u>

The \$2,500,782 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, 2019. Contributions subsequent to the measurement date are reduced by retired re-employed employer contributions of \$22,263. 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,

2020	\$	4,577,671
2021	\$	2,135,341
2022	\$	(299,575)
2023	\$	(193,801)

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 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 25-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.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

9. RETIREMENT PLAN (CONTINUED)

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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 19,476,410	5.25%	\$ 30,732,845	6.25%	\$ 24,528,692
Current discount rate	6.25%	\$ 15,471,019	6.25%	\$ 19,399,797	7.25%	\$ 12,115,502
1% increase	7.25%	\$ 12,115,502	7.25%	\$ 19,399,797		

Payable to the Pension Plan – At June 30, 2019, the City reported a payable of \$282,776 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the City of Georgetown and Georgetown Municipal Water and Sewer System participates in the County Employees' Retirement System (CERS). 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. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust 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 contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. 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.

For the year ended June 30, 2019, the City contributed \$351,714, or 100% of the required contribution for non-hazardous job classifications, and \$605,586, or 100% of the required contribution for hazardous job classifications.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 11,741,488</u>	<u>\$ 4,510,039</u>	<u>\$ 7,231,449</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018, was as follows:

Non-hazardous	Hazardous
0.2540%	1.0140%

The proportionate share at June 30, 2018, increased by .0064 percent for non-hazardous and decreased by .0265 percent for hazardous to the proportionate share as of June 30, 2018.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,758,096. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 1,333,722
Changes of assumptions	3,119,854	30,201
Net difference between projected and actual earnings on Plan investments	-	998,131
Changes in proportion and differences between City contributions and proportionate share of contributions	72,404	159,266
City contributions subsequent to the measurement date	<u>994,043</u>	<u>-</u>
Total	<u>\$ 4,186,301</u>	<u>\$ 2,521,320</u>

The \$994,043 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 OPEB liability in the year ending June 30, 2020. Contributions include an allocation for the implicit subsidy of \$43,963, which are required to be recognized as deferred inflows of resources. Deferred outflows of resources for contributions have been reduced by retired re-employed contributions of \$7,220. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2020	\$ 419,299
2021	\$ 419,299
2022	\$ 20,171
2023	\$ (134,500)
2024	\$ (27,742)
2025	\$ (25,589)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and
Hazardous**

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. 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 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 5,857,818	4.97%	\$ 10,052,068
Current discount rate	5.85%	\$ 4,510,039	5.97%	\$ 7,231,449
1% increase	6.85%	\$ 3,361,978	6.97%	\$ 4,973,467

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
		City's proportionate share of net OPEB liability		City's proportionate share of net OPEB liability
1% decrease		\$ 3,357,769		\$ 4,924,965
Current trend rate		\$ 4,510,039		\$ 7,231,449
1% increase		\$ 5,868,234		\$ 10,088,122

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

11. INTERFUND RECEIVABLES/PAYABLES

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. Interfund receivable and payable balances as of June 30, 2019, were as follows:

Fund	Receivable	Payable
General	\$ 574,136	\$ -
Cemetery Operations	-	44,246
State & Federal Grants	-	231,822
Landfill	-	18,129
Alcohol	-	279,939
Total	<u>\$ 574,136</u>	<u>\$ 574,136</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

12. FUND BALANCE

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, 2019, fund balances are composed of the following:

	General Fund	Business Park Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
MAP fund	\$ -	\$ -	\$ -	\$ 575,376	\$ 575,376
LGEA fund	-	-	-	76,539	76,539
Drug forfeiture	-	-	-	317,215	317,215
Cemetery perpetual care	-	-	-	650,259	650,259
Police Evidence	65,880	-	-	-	65,880
Gus Wolf reserve	5,589	-	-	-	5,589
Medical escrow	39,067	-	-	-	39,067
Bond account	2,239	-	-	-	2,239
Street light deposits	<u>375,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,621</u>
Total Restricted	<u>488,396</u>	<u>-</u>	<u>-</u>	<u>1,619,389</u>	<u>2,107,785</u>
Assigned:					
Alcohol-related operations	-	-	-	432	432
Capital projects	961,103	3,105,719	3,852,382	-	7,919,204
Aquatic center	60,500	-	-	-	60,500
2019 budget allocations	<u>1,085,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,085,476</u>
Total Assigned	<u>2,107,079</u>	<u>3,105,719</u>	<u>3,852,382</u>	<u>432</u>	<u>9,065,612</u>
Unassigned	<u>9,781,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,781,920</u>
Total fund balances	<u>\$ 12,377,395</u>	<u>\$ 3,105,719</u>	<u>\$ 3,852,382</u>	<u>\$ 1,619,821</u>	<u>\$ 20,955,317</u>

13. TRANSFERS

The following operating transfers were made during the year:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 10,323,245
Cemetery Perpetual Care	-	5,927
GMWSS	-	-
Government-wide (governmental)	-	-
Capital Projects	6,372,265	-
Environmental Services	310,046	-
Business Park	3,551,383	-
Cemetery Operations	<u>95,478</u>	<u>-</u>
Total	<u>\$ 10,329,172</u>	<u>\$ 10,329,172</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

13. TRANSFERS (CONTINUED)

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 and to transfer capital assets purchased by the General Fund on behalf of 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 Business Park Fund was made to provide funds to cover debt service and expenditures for the Lanes Run business park.

14. RELATED ORGANIZATIONS

The City of Georgetown provides financial support for a variety of local organizations. With the exception of Scott United and the Georgetown/Scott County Senior Center, 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 Georgetown/Scott County Airport's Board of Directors is jointly appointed by the City and Scott County.

The City has contributed the following amounts to these organizations:

Georgetown/Scott County Parks & Recreation	\$ 989,240
Georgetown/Scott County Planning & Zoning	531,634
Georgetown/Scott County Ambulance	2,077,104
Georgetown/Scott County Disaster & Emergency Services	130,310
Georgetown/Scott County Senior Citizens	97,000
Georgetown/Scott County Electrical Inspection	133,400
Georgetown/Scott County Animal Shelter	236,280
Georgetown/Scott County E911 Billing	49,044
Georgetown/Scott County Revenue Commission	187,611
Georgetown/Scott County Airport	15,000
Scott United	40,000
Georgetown/Scott County Tourism	<u>40,000</u>
Total Contributions	<u>\$ 4,526,623</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

15. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2019:

Governmental activities:

General fund

Winter de-icing/salt	\$	72,618
CAD system upgrade		115,000
Financial audit		27,500
Radio		8,328
Fire Department trench strut kit		4,570
Fire Department airbag rescue equipment		13,240
Fire Department gear extractor & dryer		10,320
Public Works tractor		54,941
Hook Lift system		70,803
911 phone system		247,700
State route lighting project		1,200
CDBG grant administration		45,000
AHTF grant application		<u>13,000</u>
Total		<u>\$ 684,220</u>

Business park fund

Project/construction	\$	<u>2,767,352</u>
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Capital projects fund

Radio system project	\$	5,358,203
South sewer extension Contract 1		680,635
South sewer extension Contract 2		105,440
Cardinal Drive		7,214
East Main Street extended		493,971
West Main Street project		20,810
KIA loan administration		<u>42,500</u>
Total		<u>\$ 6,708,773</u>

Federal & state grants fund

South sewer extension	\$	61,776
Cardinal Drive		28,854
Fire Department trench strut kit		27,000
Police Department night vision monoculars		40,949
Ward Hall project		4,200
West Main Street project		<u>83,242</u>
Total		<u>\$ 246,021</u>

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

15. SIGNIFICANT COMMITMENTS AND CONTINGENCIES (CONTINUED)

Business-type activities:

Environmental services

Project/construction	<u>\$ 265,402</u>
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Georgetown Municipal Water and Sewer Service

Collections and distribution center	\$ 109,125
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South sewer extension	102,852
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WWTP No. 2 improvements	<u>288,286</u>
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Total	<u>\$ 500,263</u>
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The City is a defendant in other various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position.

The City entered into a \$3 million line of credit agreement with Kentucky Bank on 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 it was renewed again in September 2016 for the same rate. In August 2018, the line of credit was renewed for an additional twenty-four months at an interest rate of 1.75%. At June 30, 2019, there was a balance of \$470,077 included in long-term liabilities.

	July 1, 2018	Advances	Payments	June 30, 2019
Line of credit	<u>\$ 631,548</u>	<u>\$ 134,415</u>	<u>\$ 295,886</u>	<u>\$ 470,077</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

16. ECONOMIC DEPENDENCE

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,594,599 (46.00%) of the City's license fees and permit revenue and \$108,387 (4.00%) of the City's property tax revenue. The total amount paid by these companies represents 35.00% of the General Fund revenues. In addition, they provided 11.8% of the operating revenue of GMWSS. Ten other customers accounted for 6.4% of the operating revenue of GMWSS.

17. CONTRIBUTED ASSETS

Contributed assets totaling \$4,559,890 have been reported in the accompanying statement of revenues, expenses, and changes in net position for business-type activities. These contributions include \$4,213,747 of contributions made by various state and local governments and developers. In addition, \$346,143 of capital contributions was received from a commercial customer. These funds were used to construct various water and sewer projects.

Contributed assets totaling \$15,633,433 have been reported in the accompanying statement of activities for governmental activities. These contributions consist of roads, sidewalks and storm sewers donated during the year.

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. TAX ABATEMENTS

The City participates in the state administered Kentucky Business Investment Program (KBI) under KRS 154.32. Program applicants are approved by the State and the program is designed to stimulate economic development through job retention and/or new job creation. The City of Georgetown has approved various company incentives which grant a credit of up to one half percent of eligible occupational license fees to approved companies for a ten-year period after the date of activation. Each agreement provides for a maximum approved cost for each year of the agreement. Reductions of the maximum approved cost for the following year can occur if actual results are less than 90% of the job targets. During 2019, the City had several agreements which have been granted final approval by the state, and one that had inducements granted. International Crankshaft, Inc. (ICI) was approved on February 23, 2017, for an incentive of one-half of one percent of eligible occupation license fees for a ten-year period. The agreement calls for a job target of 107 jobs, in addition to the maintenance of ICI's base employment of 195 jobs. The total maximum inducement for the City is \$312,500. The City abated \$23,422 in occupational license fees to ICI during 2019.

The City also participates in the state administered Kentucky Job Retention Program (KJRA) under KRS 154.25. Program applicants are approved by the State and the program is designed to stimulate economic development through projects that improve or expand current automotive manufacturing facilities, and which result in job retention. Toyota Motor Manufacturing (TMMK) was approved on April 17, 2013 for an incentive of one half percent of eligible occupation license fees for a ten-year period from its activation date. TMMK activated the incentive agreement on September 28, 2015, with a supplemental agreement activated on April 10, 2017. The agreement calls for a maximum approved cost for each year of the agreement. The total maximum inducement for the City is \$19,000,000. The maximum annual inducement may be reduced each fiscal year in which the Company's job target is below the required minimum of 7,880. The City abated \$2,499,960 in occupational license fees to TMMK during 2019. In conjunction with the KJRA project, TMMK also agreed to donate several parcels of property in and adjacent to the Lanes Run Business Park. TMMK also agreed to contribute \$1,000,000 to the City for additional property acquisition and \$100,000 per year to Scott County United, beginning July 1, 2017, payable from City inducements. The \$1,000,000 was paid to the City in December of 2017.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019**

20. RESTATEMENT OF NET POSITION

During 2019, the City restated governmental activities government-wide net position for construction in progress on sewer extension projects. The City has undertaken certain projects that will result in capital assets that are turned over to Georgetown Municipal Water and Sewer Service for maintaining. Since Georgetown Municipal Water and Sewer Service is a blended component unit of the City, it was determined that recording these as construction in progress on the government-wide statements is appropriate as the funds are expended. In 2018, \$421,488 was expended by governmental funds on these projects. When the project is completed, the City will transfer these assets to Georgetown Municipal Water and Sewer Service at cost.

	2019
Governmental activities	
Net position, at beginning of year	\$ 63,740,366
Construction in progress on sewer extension	<u>421,488</u>
Net position, at beginning of year, as restated	<u>\$ 64,161,854</u>

Prior year governmental activities totals for construction in progress were increased and community development expenses were decreased by \$421,488 to account for the restatement. The governmental fund totals included a reclassification of \$421,488 out of community development expenditures and into capital outlay.

21. SUBSEQUENT EVENT

COVID-19 Pandemic

In early 2020, various restrictions were placed on travel and businesses across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

SUPPLEMENTARY INFORMATION

CITY OF GEORGETOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
GENERAL FUND
for the year ended June 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 2,270,000	\$ 2,270,000	\$ 2,422,592	\$ 152,592
Licenses and permits	20,712,500	18,537,500	19,514,539	977,039
Charges for service	193,082	213,082	224,574	11,492
Fines	129,000	184,000	207,465	23,465
Intergovernmental	2,938,673	3,190,965	3,135,973	(54,992)
Investment income	20,000	70,000	107,156	37,156
Other revenue	<u>1,000</u>	<u>7,400</u>	<u>63,514</u>	<u>56,114</u>
Total revenues	<u>26,264,255</u>	<u>24,472,947</u>	<u>25,675,813</u>	<u>1,202,866</u>
Expenditures				
Current				
Administration	1,520,600	1,609,965	1,540,301	69,664
City Council	194,237	194,237	194,464	(227)
City Clerk	224,879	224,879	210,142	14,737
Police	5,230,004	5,320,619	5,203,581	117,038
Fire	5,572,699	5,582,699	5,542,417	40,282
Telecommunications	1,680,276	2,024,389	1,674,725	349,664
Code enforcement	219,477	320,087	279,752	40,335
Building inspection	499,137	500,137	491,602	8,535
Community development	5,743,329	5,785,829	5,186,954	598,875
Public works	1,782,409	1,921,994	1,410,934	511,060
Utilities	708,400	759,400	684,163	75,237
Capital outlay	846,228	1,212,202	1,713,568	(501,366)
Debt service	<u>974,771</u>	<u>974,771</u>	<u>1,284,114</u>	<u>(309,343)</u>
Total expenditures	<u>25,196,446</u>	<u>26,431,208</u>	<u>25,416,717</u>	<u>1,014,491</u>
Excess of Revenues over (under) Expenditures	<u>1,067,809</u>	<u>(1,958,261)</u>	<u>259,096</u>	<u>2,217,357</u>
Other Financing Sources (Uses)				
Lease proceeds	-	-	961,149	961,149
Property sales	10,000	10,000	54,924	44,924
Transfers in (out)	<u>(10,318,717)</u>	<u>(11,559,030)</u>	<u>(10,323,245)</u>	<u>1,235,785</u>
	<u>(10,308,717)</u>	<u>(11,549,030)</u>	<u>(9,307,172)</u>	<u>2,241,858</u>
Net change in fund balance	(9,240,908)	(13,507,291)	(9,048,076)	4,459,215
Fund balance, beginning of year	<u>21,425,471</u>	<u>21,425,471</u>	<u>21,425,471</u>	<u>-</u>
Fund balance, end of year	<u>\$ 12,184,563</u>	<u>\$ 7,918,180</u>	<u>\$ 12,377,395</u>	<u>\$ 4,459,215</u>

CITY OF GEORGETOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
BUSINESS PARK FUND
for the year ended June 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental	\$ 4,017,750	\$ 4,017,750	\$ 1,511,384	\$ (2,506,366)
Other revenue	<u>-</u>	<u>-</u>	<u>106,356</u>	<u>(106,356)</u>
Total Revenues	<u>4,017,750</u>	<u>4,017,750</u>	<u>1,617,740</u>	<u>(2,400,010)</u>
EXPENDITURES				
Current				
Community development	1,632,500	1,632,500	71	1,632,429
Capital outlay	5,903,000	5,903,000	2,837,769	3,065,231
Debt service	<u>72,195</u>	<u>72,195</u>	<u>73,425</u>	<u>(1,230)</u>
Total Expenditures	<u>7,607,695</u>	<u>7,607,695</u>	<u>2,911,265</u>	<u>4,696,430</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,589,945)</u>	<u>(3,589,945)</u>	<u>(1,293,525)</u>	<u>2,296,420</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	677,480	677,480
Transfers in (out)	<u>3,589,945</u>	<u>3,589,945</u>	<u>3,551,383</u>	<u>(38,562)</u>
	<u>3,589,945</u>	<u>3,589,945</u>	<u>4,228,863</u>	<u>638,918</u>
Net change in fund balance	-	-	2,935,338	2,935,338
Fund Balance, beginning of year	<u>170,381</u>	<u>170,381</u>	<u>170,381</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 170,381</u>	<u>\$ 170,381</u>	<u>\$ 3,105,719</u>	<u>\$ 2,935,338</u>

CITY OF GEORGETOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
CAPITAL PROJECTS FUND
for the year ended June 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental	\$ 4,495,000	\$ 5,538,463	\$ 2,702,345	\$ (2,836,118)
Other revenue	<u>-</u>	<u>-</u>	<u>398</u>	<u>398</u>
Total Revenues	<u>4,495,000</u>	<u>5,538,463</u>	<u>2,702,743</u>	<u>(2,835,720)</u>
EXPENDITURES				
Current				
Police	-	-	676	(676)
Community development	1,113,459	1,113,459	139,160	974,299
Capital outlay	<u>8,966,041</u>	<u>11,393,022</u>	<u>5,088,597</u>	<u>6,304,425</u>
Total Expenditures	<u>10,079,500</u>	<u>12,506,481</u>	<u>5,228,433</u>	<u>7,278,048</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,584,500)</u>	<u>(6,968,018)</u>	<u>(2,525,690)</u>	<u>4,442,328</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>5,584,500</u>	<u>6,962,813</u>	<u>6,372,265</u>	<u>(590,548)</u>
Net change in fund balance	-	(5,205)	3,846,575	3,851,780
Fund Balance, beginning of year	<u>5,807</u>	<u>5,807</u>	<u>5,807</u>	<u>-</u>
Fund Balance, end of year	<u><u>\$ 5,807</u></u>	<u><u>\$ 602</u></u>	<u><u>\$ 3,852,382</u></u>	<u><u>\$ 3,851,780</u></u>

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

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.2400%	0.2400%	0.2415%	0.2431%	0.2476%	0.2540%
City's proportionate share of the net pension liability (asset)	\$ 8,856,545	\$ 7,842,734	\$ 10,431,397	\$ 11,966,885	\$ 14,495,248	\$ 15,471,019
City's covered employee payroll	\$ 5,226,162	\$ 5,550,910	\$ 5,653,973	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	169.47%	141.29%	184.50%	204.63%	234.91%	245.73%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%

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 current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

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

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.9560%	0.9560%	0.9899%	0.9970%	1.0405%	1.0142%
City's proportionate share of the net pension liability (asset)	\$ 12,835,445	\$ 11,536,603	\$ 15,196,257	\$ 17,108,014	\$ 23,278,570	\$ 24,528,692
City's covered employee payroll	\$ 4,697,824	\$ 4,857,829	\$ 5,063,536	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	273.22%	237.48%	300.11%	329.87%	409.17%	433.81%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%

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 current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

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

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 660,173	\$ 764,808	\$ 726,520	\$ 726,337	\$ 860,681	\$ 932,925	\$ 1,084,561
Contributions relative to contractually required employer contribution	<u>660,173</u>	<u>764,808</u>	<u>726,520</u>	<u>726,337</u>	<u>860,681</u>	<u>932,925</u>	<u>1,084,561</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered employee payroll	\$ 5,226,162	\$ 5,550,910	\$ 5,653,973	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046	\$ 6,548,524
Employer contributions as a percentage of covered-employee payroll	12.63%	13.78%	12.85%	12.42%	13.95%	14.82%	16.56%

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 current fiscal year.

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.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

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

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 945,898	\$ 1,057,841	\$ 1,049,670	\$ 1,050,733	\$ 1,235,138	\$ 1,255,246	\$ 1,438,484
Contributions relative to contractually required employer contribution	<u>945,898</u>	<u>1,057,841</u>	<u>1,049,670</u>	<u>1,050,733</u>	<u>1,235,138</u>	<u>1,255,246</u>	<u>1,438,484</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,697,824	\$ 4,857,829	\$ 5,063,536	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263	\$ 5,783,611
Employer contributions as a percentage of covered-employee payroll	20.13%	21.78%	20.73%	20.26%	21.71%	22.20%	24.87%

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 current fiscal year.

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.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF GEORGETOWN, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NON-HAZARDOUS
 Last Three Fiscal Years**

	2017	2018	2019
City's proportion of the net OPEB liability	0.2431%	0.2476%	0.2540%
City's proportionate share of the net OPEB liability (asset)	\$ 3,904,948	\$ 4,978,451	\$ 4,510,039
City's covered employee payroll	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.77%	80.68%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

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 current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

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

	2017	2018	2019
City's proportion of the net OPEB liability	0.9970%	1.0405%	1.0140%
City's proportionate share of the net OPEB liability (asset)	\$ 5,139,655	\$ 8,601,402	\$ 7,231,449
City's covered employee payroll	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	99.10%	151.19%	127.89%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%

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 current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

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

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 362,520	\$ 286,663	\$ 280,352	\$ 271,353	\$ 291,829	\$ 302,815	\$ 351,714
Contributions relative to contractually required employer contribution	<u>362,520</u>	<u>286,663</u>	<u>280,352</u>	<u>271,353</u>	<u>291,829</u>	<u>302,815</u>	<u>351,714</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered employee payroll	\$ 5,226,162	\$ 5,550,910	\$ 5,653,973	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046	\$ 6,548,524
Employer contributions as a percentage of covered-employee payroll	6.94%	5.16%	4.96%	4.64%	4.73%	4.81%	5.37%

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 current fiscal year.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

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

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 823,543	\$ 676,882	\$ 687,628	\$ 658,134	\$ 531,945	\$ 528,674	\$ 605,586
Contributions relative to contractually required employer contribution	<u>823,543</u>	<u>676,882</u>	<u>687,628</u>	<u>658,134</u>	<u>531,945</u>	<u>528,674</u>	<u>605,586</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered employee payroll	\$ 4,697,824	\$ 4,857,829	\$ 5,063,536	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263	\$ 5,783,611
Employer contributions as a percentage of covered-employee payroll	17.53%	13.93%	13.58%	12.69%	9.35%	9.35%	10.47%

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 current fiscal year.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
for the year ended June 30, 2019

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 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, 2019**

	Municipal Aid Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	Total
ASSETS							
Cash and cash equivalents	\$ 724,826	\$ 79,132	\$ 317,215	\$ 270,794	\$ -	\$ -	\$ 1,391,967
Restricted cash and cash equivalents	-	-	-	21,079	-	-	21,079
Investments	-	-	-	358,386	-	-	358,386
Accounts receivable:							
Intergovernmental	68,194	-	-	-	457,859	-	526,053
Other	-	-	-	-	-	283,148	283,148
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
 Total Assets	 <u>\$ 793,020</u>	 <u>\$ 79,132</u>	 <u>\$ 317,215</u>	 <u>\$ 650,259</u>	 <u>\$ 457,859</u>	 <u>\$ 283,148</u>	 <u>\$ 2,580,633</u>
LIABILITIES							
Accounts payable	\$ 217,644	\$ 2,593	\$ -	\$ -	\$ 135,361	\$ 2,777	\$ 358,375
Deferred revenue	-	-	-	-	90,676	-	90,676
Deposits	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	231,822	279,939	511,761
 Total Liabilities	 <u>217,644</u>	 <u>2,593</u>	 <u>-</u>	 <u>-</u>	 <u>457,859</u>	 <u>282,716</u>	 <u>960,812</u>
FUND BALANCE							
Fund Balance							
Restricted	575,376	76,539	317,215	650,259	-	-	1,619,389
Assigned	-	-	-	-	-	432	432
 Total Fund Balance	 <u>575,376</u>	 <u>76,539</u>	 <u>317,215</u>	 <u>650,259</u>	 <u>-</u>	 <u>432</u>	 <u>1,619,821</u>
 Total Liabilities and Fund Balance	 <u>\$ 793,020</u>	 <u>\$ 79,132</u>	 <u>\$ 317,215</u>	 <u>\$ 650,259</u>	 <u>\$ 457,859</u>	 <u>\$ 283,148</u>	 <u>\$ 2,580,633</u>

CITY OF GEORGETOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	Municipal Aid Fund	Local Government Economic Assistance Fund	Drug Forfeiture Fund	Cemetery Perpetual Care Fund	State & Federal Grants Fund	Alcohol Fund	Total
REVENUES							
Intergovernmental	\$ 576,087	\$ 17,959	\$ 20,955	\$ -	\$ 1,283,849	\$ -	\$ 1,898,850
Licenses and permits	-	-	-	-	-	1,071,067	1,071,067
Other revenue	-	-	-	-	-	-	-
Interest income	4,403	481	1,934	28,518	-	-	35,336
Total Revenues	<u>580,490</u>	<u>18,440</u>	<u>22,889</u>	<u>28,518</u>	<u>1,283,849</u>	<u>1,071,067</u>	<u>3,005,253</u>
EXPENDITURES							
Current							
Administration	-	-	-	5,167	-	42,451	47,618
Police	-	-	3,000	-	68,919	1,025,616	1,097,535
Fire	-	-	-	-	-	-	-
Community development	-	-	-	-	69,500	-	69,500
Public works	833,644	10,239	-	-	15,533	-	859,416
Capital outlay	94,786	6,915	-	-	1,129,897	3,000	1,234,598
Debt Service	-	-	-	-	-	-	-
Total Expenditures	<u>928,430</u>	<u>17,154</u>	<u>3,000</u>	<u>5,167</u>	<u>1,283,849</u>	<u>1,071,067</u>	<u>3,308,667</u>
Excess of Revenues Over (Under) Expenditures	<u>(347,940)</u>	<u>1,286</u>	<u>19,889</u>	<u>23,351</u>	<u>-</u>	<u>-</u>	<u>(303,414)</u>
Other Financing Sources (Uses)							
Proceeds from sale of assets	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	(5,927)	-	-	(5,927)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,927)</u>	<u>-</u>	<u>-</u>	<u>(5,927)</u>
Net change in fund balance	<u>(347,940)</u>	<u>1,286</u>	<u>19,889</u>	<u>17,424</u>	<u>-</u>	<u>-</u>	<u>(309,341)</u>
Fund Balance, beginning of year	<u>923,316</u>	<u>75,253</u>	<u>297,326</u>	<u>632,835</u>	<u>-</u>	<u>432</u>	<u>1,929,162</u>
Fund Balance, end of year	<u>\$ 575,376</u>	<u>\$ 76,539</u>	<u>\$ 317,215</u>	<u>\$ 650,259</u>	<u>\$ -</u>	<u>\$ 432</u>	<u>\$ 1,619,821</u>



**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**

Honorable Tom Prather, Mayor
And 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, 2019, 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 June 8, 2020.

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
Lexington, Kentucky
June 8, 2020