

**CITY OF GEORGETOWN**  
Georgetown, Kentucky



**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**  
June 30, 2020

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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, 2020, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky, as of June 30, 2020, 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 46-60 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021, 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  
July 13, 2021

City Council Members  
Willow Hambrick  
Greg Hampton  
David Lusby  
Tammy Lusby Mitchell



City Council Members  
Karen Tingle-Sames  
Mark Showalter  
Todd Stone  
Connie Tackett

Tom Prather, Mayor

## City of Georgetown Management's Discussion and Analysis For the Year Ended June 30, 2020

### 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, 2020. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. Our Basic Financial Statements are presented in accordance with Governmental Accounting Standards Board ([www.gasb.org](http://www.gasb.org)) accounting and reporting standards for state and local governments in the United States, in accordance with KRS 91A.020. Our basic financial statements include (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, (4) certain required supplementary information, and (5) other supplementary information.

Readers can find more details in the statements and narratives on pages 10 through 45 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 FY2020 was \$1,905,736, which leaves a remaining balance of \$7,444,487 for the duration of the incentive program, which is currently scheduled to end by March 31, 2027.
- During FY 2020, the City was awarded Federal CARES Act funding in the amount of \$2,473,221 and expended \$2,418,315 of the funds during FY 2020 on first responder salaries. During FY 2021, the City expended the balance of \$54,906, and a new allocation of CARES Act funding in the amount of \$787,670, also on first responder salaries.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- **Business Type Activities.** The City's business-type activities include the Georgetown Municipal Water and Sewer Service, Sanitation, and Solid Waste Management. These operations are funded with user fees based on consumption.

*Net Position* reflects the difference between the City's total assets and total liabilities. These amounts are similar to the owner's equity in financial statements of a commercial business, but these amounts do reflect resources that are available for supporting future governmental services. The City's operating purpose is providing services, not accumulating net position. The increase in the City's unrestricted net position is mainly due to the receipt of CARES Act Funding, which was granted to Cities to assist with local recovery from the effects of the COVID-19 pandemic, as well as other revenues performing better than anticipated. 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, 2020, and 2019.

**City of Georgetown  
Net Position  
June 30, 2020 & 2019**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 22,682,646	\$ 23,331,684	\$ 3,233,230	\$ 2,600,916	\$ 25,915,876	\$ 25,932,600
Capital assets	112,217,163	103,594,926	99,342,047	98,995,833	211,559,210	202,590,759
Other assets	887,140	1,565,847	3,498,282	2,783,250	4,385,422	4,349,097
Deferred Outflows of Resources	11,024,287	11,078,530	3,370,082	2,906,055	14,394,369	13,984,585
Total assets and deferred outflows	146,811,236	139,570,987	109,443,641	107,286,054	256,254,877	246,857,041
Long-term debt outstanding	12,847,831	13,785,453	8,323,140	8,423,856	21,170,971	22,209,309
Other liabilities	48,819,966	44,666,194	16,581,228	15,887,035	65,401,194	60,553,229
Deferred Inflows of Resources	3,340,284	2,782,594	1,150,683	810,448	4,490,967	3,593,042
Total liabilities and deferred inflows	65,008,081	61,234,241	26,055,051	25,121,339	91,063,132	86,355,580
Net position:						
Net invested in capital assets	98,141,615	88,661,230	91,371,106	90,121,429	189,512,721	178,782,659
Restricted	2,219,870	2,107,785	3,203,900	2,432,760	5,423,770	4,540,545
Unrestricted	(18,558,330)	(12,432,269)	(11,186,416)	(10,389,474)	(29,744,746)	(22,821,743)
Total net position	\$ 81,803,155	\$ 78,336,746	\$ 83,388,590	\$ 82,164,715	\$ 165,191,745	\$ 160,501,461

Governmental current assets decreased due to investing in additional capital improvements and slightly lower receivables than the prior year. 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 increased cash flow. 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 2020 and 2019 fiscal years.

**City of Georgetown**  
**Operating Results for the Years Ended June 30, 2020 & 2019**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues:						
Program revenues:						
Charges for service	574,037	692,972	15,806,095	14,320,886	16,380,132	15,013,858
Operating grants and contributions	6,399,835	3,904,930	158,748	324,286	6,558,583	4,229,216
General revenues:						
Property taxes	2,544,997	2,414,262	-	-	2,544,997	2,414,262
License fees and permits	3,067,393	2,801,203	-	-	3,067,393	2,801,203
Occupational license fees	14,416,268	14,335,500	-	-	14,416,268	14,335,500
Insurance premium tax	3,338,296	2,995,505	-	-	3,338,296	2,995,505
Telecommunications excise tax	-	8,330	-	-	-	8,330
Interest and investment earnings	265,934	142,890	48,303	24,508	314,237	167,398
Fines and reimbursements	149,609	207,465	-	-	149,609	207,465
Other local revenues	74,990	40,186	-	24,600	74,990	64,786
<b>Total revenues</b>	<b>30,831,359</b>	<b>27,543,243</b>	<b>16,013,146</b>	<b>14,694,280</b>	<b>46,844,505</b>	<b>42,237,523</b>
Program Expenses:						
General government	3,043,099	2,699,445	-	-	3,043,099	2,699,445
Public protection						
Police	9,261,161	8,937,001	-	-	9,261,161	8,937,001
Fire	8,311,041	7,653,402	-	-	8,311,041	7,653,402
Telecommunications	1,956,423	1,914,033	-	-	1,956,423	1,914,033
Building inspection	614,712	527,741	-	-	614,712	527,741
Community Development	5,881,651	5,395,685	-	-	5,881,651	5,395,685
Codes Enforcement	341,857	306,981	-	-	341,857	306,981
Public works						
Road maintenance	5,555,654	5,626,905	-	-	5,555,654	5,626,905
Water & sewer treatment	-	-	14,671,905	13,917,426	14,671,905	13,917,426
Garbage collection	-	-	1,972,685	2,255,026	1,972,685	2,255,026
Recycling services	-	-	352,703	310,475	352,703	310,475
Stormwater management	-	-	256,898	431,920	256,898	431,920
Landfill postclosure care	-	-	-	91,649	-	91,649
Cemetery:						
Operations	-	-	420,208	417,580	420,208	417,580
Perpetual care	-	-	-	-	-	-
Interest on long-term debt	430,540	429,735	-	-	430,540	429,735
<b>Total expenses</b>	<b>35,396,138</b>	<b>33,490,928</b>	<b>17,674,399</b>	<b>17,424,076</b>	<b>53,070,537</b>	<b>50,915,004</b>
Excess (deficiency) before transfers and special items	(4,564,779)	(5,947,685)	(1,661,253)	(2,729,796)	(6,226,032)	(8,677,481)
Gain (Loss) on disposal of property	(24,701)	29,826	2,160	(32,917)	(22,541)	(3,091)
Capital grants and contributions	8,337,311	20,977,059	2,601,546	4,081,106	10,938,857	25,058,165
Capital asset transfer	-	-	-	-	-	-
Transfers	(281,422)	(884,308)	281,422	884,308	-	-
Prior period adjustment	-	-	-	-	-	-
<b>Net increase (decrease) in net position</b>	<b>3,466,409</b>	<b>14,174,892</b>	<b>1,223,875</b>	<b>2,202,701</b>	<b>4,690,284</b>	<b>16,377,593</b>

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

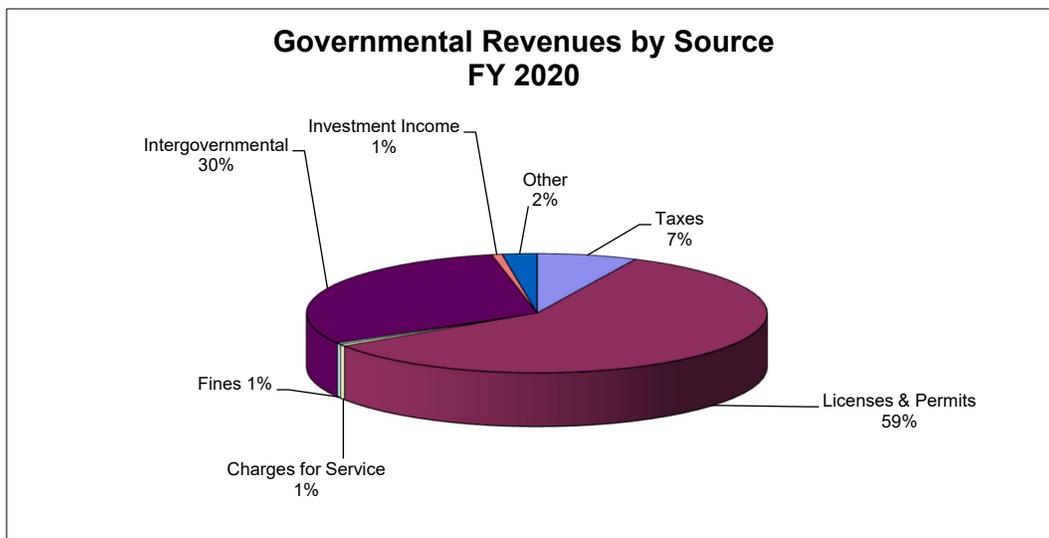


On the other side of the City's ledger, governmental operating costs increased due to rising salary and benefit costs, as well as continued efforts to improve infrastructure and upgrade equipment. Transfers from Governmental Activities to Business-Type Activities included transfers to cover costs for Storm Water Management and Cemetery Operations. The operating costs for business-type activities increased slightly compared to FY2019, with the main increases due to the operation of Water & Sewer services, due to increased salaries and benefits.

### Fund Financial Statements

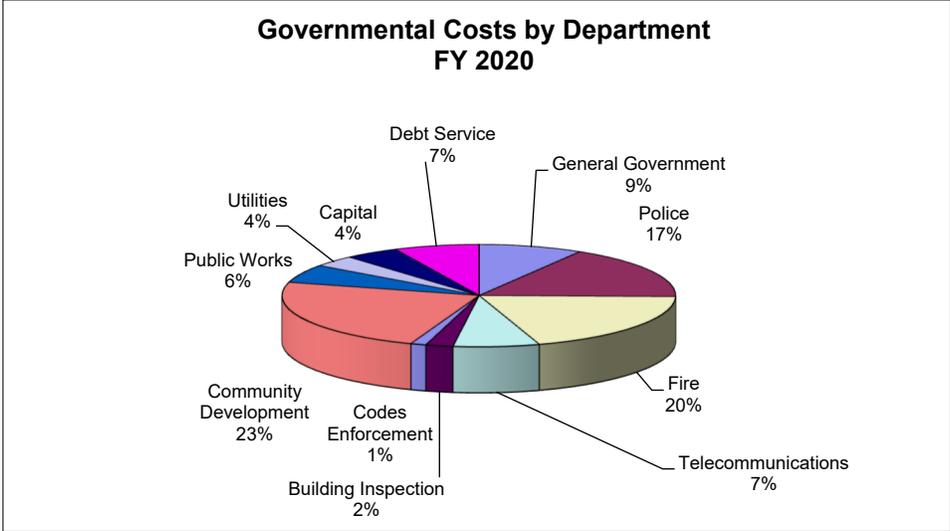
The main focus of Fund Financial Statements is on the specific activities of the City instead of the financial activities of the City as a whole. The City's fund financial statements are divided into Governmental Funds and Proprietary Funds.

- **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 (59%) on businesses and their employees. Taxes provide another 7% and intergovernmental revenues are 30% 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 and over \$2 million in Federal CARES Act funding. Details about individual funds are reported on pages 12- 15 and 61 - 62 of this report.

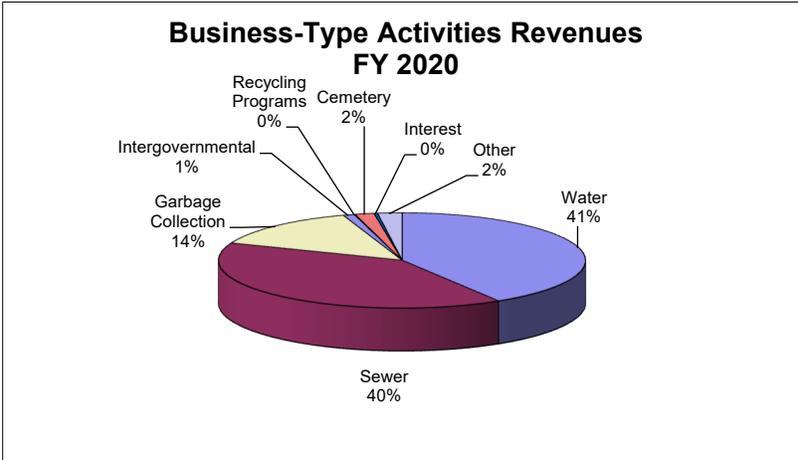


Governmental expenditures include basic services such as police, fire, code enforcement, public works, road maintenance, building inspection, and telecommunications/911. The following chart highlights the allocation among major categories. Community Development includes parks, planning and zoning, and 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 62 of this report.



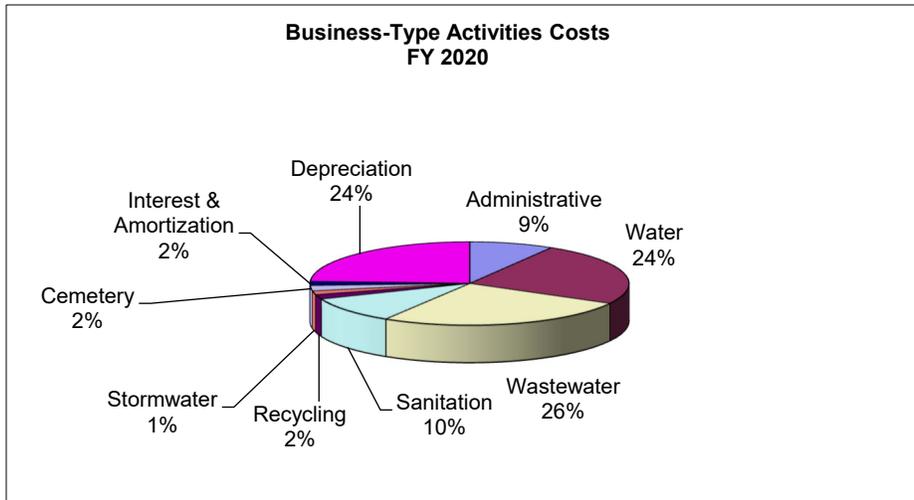


- Proprietary Funds.** The City's proprietary funds include the water, sewer, recycling, storm water, solid waste, and cemetery operations. These funds are financed with user fees based on consumption and the costs of providing these services. In FY 2020, \$235,907 was transferred from the General Fund to the Environmental Services Fund and \$45,515 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, and the cemetery. Depreciation of existing facilities is also a significant cost component.





### BUDGETARY HIGHLIGHTS

A budgetary comparison for the General Fund is presented on page 46 of this report. Total revenues for the year were \$1,843,220 more than budgeted, and expenditures were \$4,261,198 less than budgeted to provide a net positive budget variance of \$6,943,684 for the year after accounting for other financing sources and uses. This is due to revenues being higher than anticipated, expenditures lower than anticipated, transfers to other funds being less than anticipated, and in large part due to receipt of over \$2 million in federal CARES Act funding that allowed the City to transfer expenditures to the Grant Fund. Nearly all revenue categories exceeded budget expectations and nearly all expenditures remained under budget for the year.

The original budget for FY 2021 uses approximately \$4,427,395 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 and budget amendments approved by Council during FY2021 reduced the amount of prior year revenues used to just \$704,339. This was due to the fact that the City used an extremely conservative approach when budgeting revenues for FY 2021 due to the COVID-19 pandemic and actual receipts were relatively close to a typical year, eliminating the need to use substantial amounts of prior year revenues to balance the budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation expense for governmental assets totaled \$4.462 million while capital outlay expenses totaled \$9,474,537. The City also has Construction in Progress of \$13,152,591 for various construction projects and capital purchases.

Debt service for the City's governmental funds is 4.6% of the total annual appropriations, slightly decreased from the prior year.

The Georgetown Municipal Water and Sewer Service funds maintain a debt to equity ratio of 10.5%, with outstanding debt of \$9,160,214 and net invested in capital assets of \$87.1 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 FY2021, 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, there was no significant budgetary impact to the General Fund for these projects during FY 2020.

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, the City's \$34,000 of matching funds has been expended. The remaining project costs using CDBG and AHTF funds will be expended in FY 2021 or later.

In addition to the CARES Act funding that the City received during FY2021, local governments have also been allocated additional federal funds through the American Rescue Plan Act (ARPA) to continue to combat the effects of the COVID-19 pandemic on our local economy. The City has not yet received ARPA funds; however, it is anticipated that the first payment will be made in early FY 2022, with the second payment expected late FY 2022 or early FY 2023. Based on the total allocation of funds given to the state of Kentucky for local governments, the Kentucky League of Cities has estimated that the City of Georgetown will receive a total of \$6,356,125 in ARPA funds.

During FY 2021, the City received notice that the landfill used for disposing of the City's municipally collected solid waste has been ordered by the State to close no later than October 31, 2021. Although the City has a price agreement with the landfill through December 31, 2021, we issued a bid for solid waste disposal that was opened on June 30, 2021, to ensure the City would have a disposal facility after the closure date. The disposal rates per ton of solid waste that were received as a result of that bid process were approximately 2-3 times the current disposal rate. The City is considering all possible alternatives for the disposal of solid waste, including increasing solid waste collection fees, bidding a solid waste collection franchise with a private vendor, or continuing to dispose of municipally collected solid waste at the current landfill provided an expansion permit is received and a satisfactory bid is received for the cost per ton for disposal. The City anticipates making a final decision regarding municipal solid waste collection and disposal facilities within the next 3-6 months to ensure the financial stability of municipal collection or to consider privatization of the solid waste collection function.

## **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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 13,596,494	\$ 1,361,608	\$ 14,958,102
Investments	1,155,438	-	1,155,438
Accounts receivable			
Taxes and licenses, net	1,646,670	-	1,646,670
Customer, net	-	1,830,578	1,830,578
Intergovernmental	5,604,209	58,629	5,662,838
Other	629,287	-	629,287
Accrued interest	7,512	-	7,512
Prepaid expenses	-	25,451	25,451
Internal balances	43,036	(43,036)	-
Total current assets	<u>22,682,646</u>	<u>3,233,230</u>	<u>25,915,876</u>
Noncurrent assets			
Restricted cash and cash equivalents	525,468	2,022,937	2,548,405
Restricted investments	361,672	1,466,460	1,828,132
Accrued interest receivable	-	8,885	8,885
Nondepreciable capital assets, land	10,658,779	3,327,872	13,986,651
Depreciable capital assets, net	90,583,862	93,836,106	184,419,968
Construction in progress	10,974,522	2,178,069	13,152,591
Total noncurrent assets	<u>113,104,303</u>	<u>102,840,329</u>	<u>215,944,632</u>
Total assets	<u>135,786,949</u>	<u>106,073,559</u>	<u>241,860,508</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	7,447,099	2,294,797	9,741,896
Deferred outflows - OPEB	3,577,188	1,070,587	4,647,775
Defeasance on refunding	-	4,698	4,698
Total deferred outflows of resources	<u>11,024,287</u>	<u>3,370,082</u>	<u>14,394,369</u>
Total assets and deferred outflows of resources	<u>\$ 146,811,236</u>	<u>\$ 109,443,641</u>	<u>\$ 256,254,877</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 557,624	\$ 111,233	\$ 668,857
Accrued liabilities	740,657	893,002	1,633,659
Contracts payable	-	120,501	120,501
Accrued interest payable	19,270	25,257	44,527
Customer deposits	457,749	269,125	726,874
Unearned revenue	201,189	-	201,189
Line of credit payable, current	-	21,088	21,088
Accrued compensated absences, current	83,815	80,403	164,218
Current portion of intergovernmental payable	15,000	-	15,000
Current portion of long-term debt	1,227,717	942,276	2,169,993
Total current liabilities	<u>3,303,021</u>	<u>2,462,885</u>	<u>5,765,906</u>
Noncurrent liabilities			
Compensated absences	614,643	730,068	1,344,711
Bond anticipation note and line of credit payable	-	1,315,563	1,315,563
Intergovernmental payable	90,000	-	90,000
Bonds and notes payable	10,538,752	6,914,563	17,453,315
Capital lease obligations	2,309,079	93,014	2,402,093
Net pension liability	35,515,727	10,804,944	46,320,671
Net OPEB liability	9,296,575	2,583,331	11,879,906
Total noncurrent liabilities	<u>58,364,776</u>	<u>22,441,483</u>	<u>80,806,259</u>
Total liabilities	<u>61,667,797</u>	<u>24,904,368</u>	<u>86,572,165</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	749,850	233,564	983,414
Deferred inflows - OPEB	2,590,434	917,119	3,507,553
Total deferred inflows of resources	<u>3,340,284</u>	<u>1,150,683</u>	<u>4,490,967</u>
<b>NET POSITION</b>			
Net investment in capital assets	98,141,615	91,371,106	189,512,721
Restricted	2,219,870	3,203,900	5,423,770
Unrestricted	(18,558,330)	(11,186,416)	(29,744,746)
Total net position	<u>81,803,155</u>	<u>83,388,590</u>	<u>165,191,745</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 146,811,236</u>	<u>\$ 109,443,641</u>	<u>\$ 256,254,877</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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 3,043,099	\$ 83,958	\$ 25,971	\$ 11,250	\$ (2,921,920)	\$ -	\$ (2,921,920)
Public safety							
Police	9,261,161	80,000	1,657,702	40,949	(7,482,510)	-	(7,482,510)
Fire	8,311,041	-	1,404,764	27,000	(6,879,277)	-	(6,879,277)
Telecommunications	1,956,423	-	1,315,941	-	(640,482)	-	(640,482)
Building inspection	614,712	370,027	394,294	-	149,609	-	149,609
Codes enforcement	341,857	-	129,263	-	(212,594)	-	(212,594)
Public works	5,555,654	40,052	593,134	6,176,000	1,253,532	-	1,253,532
Community development	5,881,651	-	878,766	2,082,112	(2,920,773)	-	(2,920,773)
Interest on long-term debt	430,540	-	-	-	(430,540)	-	(430,540)
Total governmental activities	<u>35,396,138</u>	<u>574,037</u>	<u>6,399,835</u>	<u>8,337,311</u>	<u>(20,084,955)</u>	<u>-</u>	<u>(20,084,955)</u>
<b>Business-type activities</b>							
Georgetown Municipal Water & Sewer:							
Administration	1,594,088	-	-	-	-	(1,594,088)	(1,594,088)
Water distribution	5,911,824	5,875,553	-	1,547,352	-	1,511,081	1,511,081
Sewer collection and treatment	7,165,993	7,428,484	-	1,054,194	-	1,316,685	1,316,685
Environmental service:							
Sanitation	1,972,685	2,220,357	-	-	-	247,672	247,672
Recycling	352,703	15,309	119,841	-	-	(217,553)	(217,553)
Stormwater management	256,898	-	-	-	-	(256,898)	(256,898)
Cemetery operations	420,208	266,392	38,907	-	-	(114,909)	(114,909)
Solid waste management	-	-	-	-	-	-	-
Total business-type activities	<u>17,674,399</u>	<u>15,806,095</u>	<u>158,748</u>	<u>2,601,546</u>	<u>-</u>	<u>891,990</u>	<u>891,990</u>
<b>Total primary government</b>	<u>\$ 53,070,537</u>	<u>\$ 16,380,132</u>	<u>\$ 6,558,583</u>	<u>\$ 10,938,857</u>	<u>(20,084,955)</u>	<u>891,990</u>	<u>(19,192,965)</u>
General revenue							
Property and other local taxes					2,544,997	-	2,544,997
Occupational licenses					14,416,268	-	14,416,268
Insurance premium					3,338,296	-	3,338,296
Licenses, fees, and permits					3,067,393	-	3,067,393
Fines and reimbursements					149,609	-	149,609
Telecommunications excise tax					-	-	-
Interest income					265,934	48,303	314,237
Miscellaneous					74,990	-	74,990
Total general revenues					23,857,487	48,303	23,905,790
Gain (loss) on sale of property					(24,701)	2,160	(22,541)
Transfers					(281,422)	281,422	-
Total general revenues and transfers					23,551,364	331,885	23,883,249
Change in Net Position					3,466,409	1,223,875	4,690,284
Net position-beginning, restated					78,336,746	82,164,715	160,501,461
NET POSITION-ENDING					<u>\$ 81,803,155</u>	<u>\$ 83,388,590</u>	<u>\$ 165,191,745</u>

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

**CITY OF GEORGETOWN, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>General Fund</b>	<b>Business Park Fund</b>	<b>Capital Projects Fund</b>	<b>State &amp; Federal Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,833,533	\$ 1,478,566	\$ -	\$ 100	\$ 1,284,295	\$ 13,596,494
Restricted cash and cash equivalents	505,177	-	669	-	19,622	525,468
Investments	1,155,438	-	-	-	361,672	1,517,110
Accounts receivable:						
Taxes and licenses, net	1,646,670	-	-	-	-	1,646,670
Intergovernmental	494,674	319,693	2,197,355	2,549,070	43,417	5,604,209
Other	281,447	-	-	-	347,840	629,287
Accrued interest	7,512	-	-	-	-	7,512
Due from other funds	3,993,125	-	-	-	-	3,993,125
Notes receivable	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 18,917,576</b>	<b>\$ 1,798,259</b>	<b>\$ 2,198,024</b>	<b>\$ 2,549,170</b>	<b>\$ 2,056,846</b>	<b>\$ 27,519,875</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 487,864	\$ 24,570	\$ 25,035	\$ 17,780	\$ 2,375	\$ 557,624
Accrued payroll liabilities	740,657	-	-	-	-	740,657
Unearned revenue	5,750	-	144,604	50,835	-	201,189
Deposits	455,762	1,987	-	-	-	457,749
Compensated absences	83,815	-	-	-	-	83,815
Due to other funds	-	-	1,124,606	2,480,457	345,026	3,950,089
<b>Total Liabilities</b>	<b>1,773,848</b>	<b>26,557</b>	<b>1,294,245</b>	<b>2,549,072</b>	<b>347,401</b>	<b>5,991,123</b>
<b>FUND BALANCE</b>						
Fund Balance						
Restricted	510,766	-	-	98	1,709,006	2,219,870
Assigned	4,807,401	1,771,702	903,779	-	439	7,483,321
Committed	-	-	-	-	-	-
Unassigned	11,825,561	-	-	-	-	11,825,561
<b>Total Fund Balance</b>	<b>17,143,728</b>	<b>1,771,702</b>	<b>903,779</b>	<b>98</b>	<b>1,709,445</b>	<b>21,528,752</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 18,917,576</b>	<b>\$ 1,798,259</b>	<b>\$ 2,198,024</b>	<b>\$ 2,549,170</b>	<b>\$ 2,056,846</b>	<b>\$ 27,519,875</b>

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, 2020**

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	<b>2020</b>
Total Governmental Fund Balance	\$ 21,528,752
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the statement of net position.	112,217,163
Certain liabilities are not reported in the fund financial 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	(14,075,548)
Long-term intergovernmental payable	(105,000)
Long-term compensated absences liability	(614,643)
Accrued interest on long-term debt	(19,270)
Net deferred inflows/outflows related to the long-term net pension and OPEB liability	7,684,003
Long-term net pension and OPEB liability	(44,812,302)
Net Position of Governmental Activities	<b>\$ 81,803,155</b>

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, 2020

	<b>General Fund</b>	<b>Business Park Fund</b>	<b>Capital Projects Fund</b>	<b>State &amp; Federal Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 2,544,997	\$ -	\$ -	\$ -	\$ -	\$ 2,544,997
Licenses and permits	20,032,468	-	-	-	1,159,516	21,191,984
Charges for service	189,010	-	-	-	-	189,010
Fines	149,609	-	-	-	-	149,609
Intergovernmental	3,286,646	1,958,416	2,262,595	2,835,039	577,706	10,920,402
Investment income	248,926	-	93	-	16,915	265,934
Other revenue	870,224	11,250	-	-	-	881,474
	<u>27,321,880</u>	<u>1,969,666</u>	<u>2,262,688</u>	<u>2,835,039</u>	<u>1,754,137</u>	<u>36,143,410</u>
Total Revenues						
<b>EXPENDITURES</b>						
Current						
Administration	1,560,160	-	-	-	48,691	1,608,851
City Council	166,603	-	-	-	-	166,603
City Clerk	209,325	-	-	-	-	209,325
Police	3,788,515	-	-	1,364,756	1,130,335	6,283,606
Fire	4,449,171	-	-	1,128,226	-	5,577,397
Telecommunications	1,594,112	-	-	-	-	1,594,112
Building inspection	505,803	-	-	-	-	505,803
Codes enforcement	285,323	-	-	-	-	285,323
Public works	1,314,746	-	-	17,303	413,496	1,745,545
Community development	5,312,775	519,037	24,639	25,200	-	5,881,651
Utilities	801,649	-	-	-	-	801,649
Capital outlay	1,013,900	2,909,046	5,186,652	299,556	65,383	9,474,537
Debt service	1,585,396	72,993	-	-	-	1,658,389
	<u>22,587,478</u>	<u>3,501,076</u>	<u>5,211,291</u>	<u>2,835,041</u>	<u>1,657,905</u>	<u>35,792,791</u>
Total Expenditures						
Excess of Revenues Over (Under) Expenditures	4,734,402	(1,531,410)	(2,948,603)	(2)	96,232	350,619
<b>OTHER FINANCING SOURCES (USES)</b>						
Lease proceeds	366,491	-	-	-	-	366,491
Proceeds from sale of capital assets	13,347	124,400	-	-	-	137,747
Transfers in (out)	(347,907)	72,993	-	100	(6,608)	(281,422)
	<u>4,766,333</u>	<u>(1,334,017)</u>	<u>(2,948,603)</u>	<u>98</u>	<u>89,624</u>	<u>573,435</u>
Net change in fund balance						
Fund Balance, beginning of year	<u>12,377,395</u>	<u>3,105,719</u>	<u>3,852,382</u>	<u>-</u>	<u>1,619,821</u>	<u>20,955,317</u>
Fund Balance, end of year	<u>\$ 17,143,728</u>	<u>\$ 1,771,702</u>	<u>\$ 903,779</u>	<u>\$ 98</u>	<u>\$ 1,709,445</u>	<u>\$ 21,528,752</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 BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
for the year ended June 30, 2020**

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	<b>2020</b>
Net Change in Fund Balances - Total Governmental Funds	\$ 573,435
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the fund financial statements because they are current financial resources, but they are presented as assets in the statement of net position and depreciated over their estimated economic lives.	9,474,537
Depreciation expense is reported in the statement of activities to recognize the cost of capital assets used to provide programs and services.	(4,462,219)
Gain (loss) on sale of assets do not provide current financial resources but are reported in the statement of activities.	(24,701)
Current period collections on the Cardome long-term receivable are financial resources in the fund statements and recognized as collected.	(762,107)
Proceeds from sale of assets are reported at net gain or loss in the statement of activities.	(137,747)
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.	(366,491)
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.	(27,704)
Donated land and streets are not recorded in the fund financial statements.	3,772,369
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.	1,231,871
Amortization of bond premium	7,768
Change in net pension and OPEB liabilities	(5,815,810)
Adjustment in accrued interest on long-term debt	3,208
Change in Net Position of Governmental Activities	\$ 3,466,409

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

**CITY OF GEORGETOWN, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 581,745	\$ 779,863	\$ -	\$ -	\$ 1,361,608
Accounts receivable					
Customer, net of allowance	1,602,882	180,741	-	46,955	1,830,578
Intergovernmental	-	17,719	-	40,910	58,629
Prepaid expenses	<u>25,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,451</u>
Total current assets	<u>2,210,078</u>	<u>978,323</u>	<u>-</u>	<u>87,865</u>	<u>3,276,266</u>
Noncurrent assets					
Restricted cash and cash equivalents	2,022,937	-	-	-	2,022,937
Restricted investments	1,439,005	-	27,455	-	1,466,460
Accrued interest receivable	8,885	-	-	-	8,885
Capital assets					
Construction in progress	2,178,069	-	-	-	2,178,069
Land and easements	858,687	9,000	2,427,043	33,142	3,327,872
Buildings and improvements	11,242,690	211,593	-	412,707	11,866,990
Utility plants in service	163,488,428	-	-	-	163,488,428
Vehicles and equipment	2,248,279	2,516,527	-	289,224	5,054,030
Less accumulated depreciation	<u>(85,029,242)</u>	<u>(1,313,660)</u>	<u>-</u>	<u>(230,440)</u>	<u>(86,573,342)</u>
Total noncurrent assets	<u>98,457,738</u>	<u>1,423,460</u>	<u>2,454,498</u>	<u>504,633</u>	<u>102,840,329</u>
Total assets	<u>100,667,816</u>	<u>2,401,783</u>	<u>2,454,498</u>	<u>592,498</u>	<u>106,116,595</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	1,795,611	436,949	-	62,237	2,294,797
Deferred outflows - OPEB	847,107	195,617	-	27,863	1,070,587
Defeasance on refunding	<u>4,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,698</u>
Total deferred outflows of resources	<u>2,647,416</u>	<u>632,566</u>	<u>-</u>	<u>90,100</u>	<u>3,370,082</u>
Total assets and deferred outflows of resources	<u>\$ 103,315,232</u>	<u>\$ 3,034,349</u>	<u>\$ 2,454,498</u>	<u>\$ 682,598</u>	<u>\$ 109,486,677</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 68,972	\$ 41,844	\$ -	\$ 417	\$ 111,233
Accrued liabilities	863,901	25,672	-	3,429	893,002
Contracts payable	120,501	-	-	-	120,501
Compensated absences	72,813	5,559	-	2,031	80,403
Line of credit payable	21,088	-	-	-	21,088
Interfund payable	-	-	27,456	15,580	43,036
Accrued interest payable	25,257	-	-	-	25,257
Current portion of long-term debt	909,000	24,382	-	8,894	942,276
Customer deposits	<u>269,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,125</u>
Total current liabilities	<u>2,350,657</u>	<u>97,457</u>	<u>27,456</u>	<u>30,351</u>	<u>2,505,921</u>
Long-term liabilities					
Compensated absences	674,408	40,766	-	14,894	730,068
Bond anticipation note and line of credit payable	1,315,563	-	-	-	1,315,563
Bonds, notes, and loans payable	6,914,563	-	-	-	6,914,563
Capital lease	-	61,167	-	31,847	93,014
Net pension liability	8,643,260	1,892,173	-	269,511	10,804,944
Net OPEB liability	<u>2,066,499</u>	<u>452,396</u>	<u>-</u>	<u>64,436</u>	<u>2,583,331</u>
Total long-term liabilities	<u>19,614,293</u>	<u>2,446,502</u>	<u>-</u>	<u>380,688</u>	<u>22,441,483</u>
Total liabilities	<u>21,964,950</u>	<u>2,543,959</u>	<u>27,456</u>	<u>411,039</u>	<u>24,947,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension	189,583	38,498	-	5,483	233,564
Deferred inflows - OPEB	<u>736,365</u>	<u>158,218</u>	<u>-</u>	<u>22,536</u>	<u>917,119</u>
Total deferred inflows of resources	<u>925,948</u>	<u>196,716</u>	<u>-</u>	<u>28,019</u>	<u>1,150,683</u>
<b>NET POSITION</b>					
Net investment in capital assets	87,142,260	1,337,911	2,427,043	463,892	91,371,106
Restricted for debt service	3,176,445	-	-	-	3,176,445
Restricted for other purposes	-	-	27,455	-	27,455
Unrestricted	<u>(9,894,371)</u>	<u>(1,044,237)</u>	<u>(27,456)</u>	<u>(220,352)</u>	<u>(11,186,416)</u>
Total net position	<u>80,424,334</u>	<u>293,674</u>	<u>2,427,042</u>	<u>243,540</u>	<u>83,388,590</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 103,315,232</u>	<u>\$ 3,034,349</u>	<u>\$ 2,454,498</u>	<u>\$ 682,598</u>	<u>\$ 109,486,677</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 FUNDS**  
**for the year ended June 30, 2020**

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals
<b>Operating revenues</b>					
Water revenue	\$ 5,451,965	\$ -	\$ -	\$ -	\$ 5,451,965
Sewer revenue	5,426,972	-	-	-	5,426,972
Sanitation revenue	-	2,220,357	-	-	2,220,357
Recycling revenue	-	15,309	-	-	15,309
Cemetery revenue	-	-	-	266,392	266,392
Intergovernmental	-	119,841	-	38,907	158,748
Connection fees	933,069	-	-	-	933,069
Commercial user fees	1,148,600	-	-	-	1,148,600
Miscellaneous	264,574	-	-	-	264,574
Penalties	78,856	-	-	-	78,856
Total operating revenues	<u>13,304,036</u>	<u>2,355,507</u>	<u>-</u>	<u>305,299</u>	<u>15,964,842</u>
<b>Operating expenses</b>					
Administrative	1,511,883	-	-	-	1,511,883
Water	4,312,021	-	-	-	4,312,021
Wastewater	4,563,147	-	-	-	4,563,147
Sanitation	-	1,784,377	-	-	1,784,377
Recycling	-	314,909	-	-	314,909
Stormwater	-	256,898	-	-	256,898
Landfill	-	-	-	-	-
Cemetery	-	-	-	368,643	368,643
Depreciation	4,007,490	226,102	-	51,565	4,285,157
Total operating expenses	<u>14,394,541</u>	<u>2,582,286</u>	<u>-</u>	<u>420,208</u>	<u>17,397,035</u>
Operating income (loss)	<u>(1,090,505)</u>	<u>(226,779)</u>	<u>-</u>	<u>(114,909)</u>	<u>(1,432,193)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	46,255	2,048	-	-	48,303
Interest expense	(278,404)	-	-	-	(278,404)
Amortization expense	1,041	-	-	-	1,041
Gain (loss) on disposal of capital assets	2,160	-	-	-	2,160
Total nonoperating revenue (expenses)	<u>(228,948)</u>	<u>2,048</u>	<u>-</u>	<u>-</u>	<u>(226,900)</u>
Income (loss) before capital contributions and transfers	(1,319,453)	(224,731)	-	(114,909)	(1,659,093)
Capital contributed					
Developer contributions	1,547,352	-	-	-	1,547,352
Commercial user contributions	1,054,194	-	-	-	1,054,194
Transfers in (out)	-	235,907	-	45,515	281,422
<b>Change in net position</b>	1,282,093	11,176	-	(69,394)	1,223,875
Net position at beginning 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>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 80,424,334</u>	<u>\$ 293,674</u>	<u>\$ 2,427,042</u>	<u>\$ 243,540</u>	<u>\$ 83,388,590</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, 2020

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 12,882,774	\$ 2,415,691	\$ -	\$ 337,828	\$ 15,636,293
Payments to suppliers	(4,082,149)	(1,069,881)	(9,328)	(172,879)	(5,334,237)
Payments for employee services and benefits	(5,242,817)	(1,198,270)	-	(172,401)	(6,613,488)
Other receipts (payments)	264,574	-	-	-	264,574
Net cash provided (used) by operating activities	<u>3,822,382</u>	<u>147,540</u>	<u>(9,328)</u>	<u>(7,452)</u>	<u>3,953,142</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in (out)	-	235,907	9,328	23,314	268,549
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(5,196,730)	-	-	-	(5,196,730)
Capital contributions	2,601,546	-	-	-	2,601,546
Proceeds from disposal of capital assets	2,160	-	-	-	2,160
Proceeds from debt issuance	1,315,563	-	-	-	1,315,563
Principal paid on capital debt	(887,000)	(25,670)	-	(9,395)	(922,065)
Net draws on line of credit	(448,989)	-	-	-	(448,989)
Interest paid on capital debt	(336,722)	-	-	-	(336,722)
Net cash (used) by capital and related financing activities	<u>(2,950,172)</u>	<u>(25,670)</u>	<u>-</u>	<u>(9,395)</u>	<u>(2,985,237)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	-	-	-	-	-
Interest income	41,977	2,048	-	-	44,025
Interest income reinvested in restricted investments	(20,713)	-	-	-	(20,713)
Net cash provided (used) by investing activities	<u>21,264</u>	<u>2,048</u>	<u>-</u>	<u>-</u>	<u>23,312</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	893,474	359,825	-	6,467	1,259,766
Cash and cash equivalents at beginning of year	1,711,208	420,038	-	-	2,131,246
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,604,682</u>	<u>\$ 779,863</u>	<u>\$ -</u>	<u>\$ 6,467</u>	<u>\$ 3,391,012</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (1,090,505)	\$ (226,779)	\$ -	\$ (114,909)	\$ (1,432,193)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	4,007,490	226,102	-	51,565	4,285,157
Net OPEB liability	34,702	(13,297)	-	971	22,376
Net pension liability	907,744	167,425	-	32,721	1,107,890
Change in assets and liabilities:					
Receivables, net	(158,898)	60,184	-	32,529	(66,185)
Prepaid expense	16,467	-	-	-	16,467
Accounts and other payables	103,172	(58,467)	(9,328)	(5,375)	30,002
Accrued expenses	-	(7,628)	-	(4,954)	(12,582)
Customer deposits	2,210	-	-	-	2,210
Net cash provided (used) by operating activities	<u>\$ 3,822,382</u>	<u>\$ 147,540</u>	<u>\$ (9,328)</u>	<u>\$ (7,452)</u>	<u>\$ 3,953,142</u>
Reconciliation of total cash and cash equivalents:					
Current assets - cash and cash equivalents	\$ 581,745	\$ 779,863	\$ -	\$ -	\$ 1,361,608
Restricted cash	2,022,937	-	-	-	2,022,937
Total cash and cash equivalents	<u>\$ 2,604,682</u>	<u>\$ 779,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,384,545</u>
Supplemental disclosures of cash flow information:					
Noncash capital and related financing activities:					
Net change in capital assets payable	\$ (565,359)	\$ -	\$ -	\$ -	\$ (565,359)
Amortization expense	\$ (1,041)	\$ -	\$ -	\$ -	\$ (1,041)

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, 2020**

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**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, 2020

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

**C. Basis of Presentation (continued)**

**Fund Financial Statements**

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

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

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

**Governmental Funds**

**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.

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.

**Nonmajor 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 **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, 2020

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

**C. Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Nonmajor 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 post closure 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, and 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, 2020**

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**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 2019. Liens have been filed on these properties for all unpaid property taxes. At June 30, 2020, the allowance for doubtful accounts totaled \$187,407 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, 2020**

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**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.

**Compensated Absences**

City of Georgetown employees are allowed to accumulate 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**

**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.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2020**

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

**E. Revenues, Expenditures and Expenses (continued)**

**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.

**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 July 13, 2021, 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, 2020, have not been evaluated by the City.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**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, 2020, the City had \$22,644,839 in financial institutions, of which \$2,833,315 was insured by FDIC insurance, SIPC insurance, or secured by U.S. government obligations. The City had \$22,845,601 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, 2020, 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	\$ 1,155,438	\$ 477,328	\$ 678,110
Mutual funds	320,515	320,515	-
Common stock	41,157	41,157	-
Total governmental activities	<u>\$ 1,517,110</u>	<u>\$ 839,000</u>	<u>\$ 678,110</u>
Business-type activities:			
Certificates of deposit	<u>\$ 1,466,460</u>	<u>\$ 256,606</u>	<u>\$ 1,209,854</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, 2020

**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, 2020:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 320,515	\$ 320,515	\$ -	\$ -
Common stock	41,157	41,157	-	-
Total	\$ 361,672	\$ 361,672	\$ -	\$ -

**3. CAPITAL ASSETS**

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

	July 1, 2019 Balance	Additions	Retirements	June 30, 2020 Balance
Governmental activities:				
Capital assets not depreciated				
Land	\$ 10,786,279	\$ -	\$ (127,500)	\$ 10,658,779
Construction in progress	9,263,161	8,398,527	(6,687,166)	10,974,522
Total	20,049,440	8,398,527	(6,814,666)	21,633,301
Capital assets being depreciated				
Land improvements	31,270	-	-	31,270
Buildings	29,539,813	82,559	-	29,622,372
Vehicles	7,630,737	413,232	(69,611)	7,974,358
Equipment	6,117,257	711,053	(13,967)	6,814,343
Infrastructure	103,801,800	10,328,699	-	114,130,499
Total	147,120,877	11,535,543	(83,578)	158,572,842
Accumulated depreciation	(63,575,391)	(4,462,219)	48,630	(67,988,980)
Governmental activities capital assets, net	\$ 103,594,926	\$ 15,471,851	\$ (6,849,614)	\$ 112,217,163

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2020

**3. CAPITAL ASSETS (CONTINUED)**

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
	<u>Balance</u>			<u>Balance</u>
Business-type activities:				
Capital assets not depreciated				
Land	\$ 3,327,872	\$ -	\$ -	\$ 3,327,872
Construction in progress	<u>3,755,040</u>	<u>2,265,240</u>	<u>(3,842,211)</u>	<u>2,178,069</u>
Total	<u>7,082,912</u>	<u>2,265,240</u>	<u>(3,842,211)</u>	<u>5,505,941</u>
Capital assets being depreciated				
Land improvements	110,637	-	(98,700)	11,937
Buildings	8,150,103	2,047,440	-	10,197,543
Vehicles	3,887,058	154,189	(14,300)	4,026,947
Equipment	2,612,456	72,136	-	2,684,592
Utility plant	<u>159,455,152</u>	<u>4,033,277</u>	<u>-</u>	<u>163,488,429</u>
Total	<u>174,215,406</u>	<u>6,307,042</u>	<u>(113,000)</u>	<u>180,409,448</u>
Accumulated depreciation	<u>(82,302,485)</u>	<u>(4,285,157)</u>	<u>14,300</u>	<u>(86,573,342)</u>
Business-type activities capital assets, net	<u>\$ 98,995,833</u>	<u>\$ 4,287,125</u>	<u>\$ (3,940,911)</u>	<u>\$ 99,342,047</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 467,666
Public Protection	
Police	592,893
Fire Protection	434,089
Telecommunications	52,454
Code Enforcement	39,688
Building Inspection	12,042
Public Works	<u>2,863,387</u>
	<u>\$ 4,462,219</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. As part of the lease agreement, the Diocese also agreed to reimburse the City for repairs done on the Cardome property. On November 26, 2019, the Diocese exercised their option to purchase the property and the balance of the receivable was paid in full.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2020

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**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.	\$ 337,767
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.	1,048,609
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.	7,260,000
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.	3,735,000
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.	86,496
Numerous capital leases for vehicles leased under a fleet management agreement with Enterprise during 2020, 2019, and 2018. Leases are for 48-60 months and payments are due monthly.	1,498,924
Bond Premiums	<u>108,752</u>
Total governmental activity debt	<u>\$ 14,075,548</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

**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, 2020, are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Capital leases	\$ 3,257,176	\$ 366,491	\$ 651,871	\$ 2,971,796	\$ 662,717
Bond payable	11,560,000	-	565,000	10,995,000	565,000
Intergovernmental payable	120,000	-	15,000	105,000	15,000
Compensated absences	<u>666,976</u>	<u>40,937</u>	<u>9,455</u>	<u>698,458</u>	<u>83,815</u>
Total Governmental	<u>\$ 15,604,152</u>	<u>\$ 407,428</u>	<u>\$ 1,241,326</u>	<u>\$ 14,770,254</u>	<u>\$ 1,326,532</u>

The annual debt service requirements to maturity, including principal, interest and fees for capital leases and bonds payable as of June 30, 2020, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Total</b>
2021	\$ 1,227,717	\$ 430,336	\$ 5,978	\$ 1,664,031
2022	1,339,933	385,357	5,210	1,730,500
2023	1,262,760	338,860	4,403	1,606,023
2024	1,020,824	298,088	3,569	1,322,481
2025	850,698	272,279	2,642	1,125,619
2026-2030	4,589,864	1,039,282	1,001	5,630,147
2031-2035	<u>3,675,000</u>	<u>289,837</u>	-	<u>3,964,837</u>
	<u>\$ 13,966,796</u>	<u>\$ 3,054,039</u>	<u>\$ 22,803</u>	<u>\$ 17,043,638</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.

	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Outstanding Principal</b>
Revenue bonds:			
Water and Sewer, Series 2013A	2.00-4.250%	2033	\$ 3,420,000
Water and Sewer, Series 2013B	1.00-3.000%	2023	835,000
Water and Sewer, Series 2018A	2.800%	2027	3,537,000
Bond premium			<u>31,563</u>
Total revenue bonds			<u>7,823,563</u>
Other long-term obligations:			
Line of credit			21,088
Capital leases			126,290
Bond anticipation note			1,315,563
Compensated absences – GMWSS			747,221
Compensated absences – Environmental Services			46,325
Compensated absences – Cemetery Operations			<u>16,925</u>
Total other long-term obligations			<u>2,273,412</u>
Total obligations			<u>\$ 10,096,975</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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

**Business-type Activities (continued)**

	<b><u>Outstanding Principal</u></b>
Total obligations (continued)	<b><u>\$ 10,096,975</u></b>
Less current portion of revenue bonds	909,000
Less current portion of line of credit	21,088
Less current portion of capital leases	33,276
Less current portion of compensated absences	<u>80,403</u>
 Total long-term liabilities	 <b><u>\$ 9,053,208</u></b>

The changes in long-term liabilities, excluding net pension and OPEB liability, during 2020 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue bonds	\$ 8,679,000	\$ -	\$ 887,000	\$ 7,792,000	\$ 909,000
Line of credit	470,077	13,450	462,439	21,088	21,088
Bond anticipation note	-	1,315,563	-	1,315,563	-
Capital leases	161,355	-	35,065	126,290	33,276
Compensated absences	<u>721,830</u>	<u>106,391</u>	<u>17,750</u>	<u>810,471</u>	<u>80,403</u>
 Total Business-type	 <b><u>\$10,032,262</u></b>	 <b><u>\$ 1,435,404</u></b>	 <b><u>\$ 1,402,254</u></b>	 <b><u>\$ 10,065,412</u></b>	 <b><u>\$ 1,043,767</u></b>

The annual debt service requirements to maturity, including principal and interest for bonds and capital leases as of June 30, 2020, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 942,276	\$ 258,395	\$ 1,200,671
2022	970,439	232,100	1,202,539
2023	1,002,872	203,738	1,206,610
2024	703,703	173,134	876,837
2025	713,000	151,882	864,882
2026-2030	2,646,000	424,690	3,070,690
2031-2035	<u>940,000</u>	<u>80,963</u>	<u>1,020,963</u>
	<b><u>\$ 7,918,290</u></b>	<b><u>\$ 1,524,902</u></b>	<b><u>\$ 9,443,192</u></b>

**Description of Bonds**

**2013A Revenue Bonds and 2013B Refunding Revenue Bonds**

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

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

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2020**

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

**Business-type Activities (continued)**

**Description of Bonds (continued)**

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.

2018A Revenue Refunding Bonds

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 \$1,532,740 at June 30, 2020. This reserve was fully funded at June 30, 2020.

*Depreciation Reserve-* All excess cash flow generated each month over and above that required for three month's operating expenses and sinking fund requirements, or \$5,000 per month, whichever is greater, are to be deposited into this reserve for use in financing contingencies or for the retirement of revenue bonds. The reserve has been funded as required. The balance in the reserve was \$1,622,246 at June 30, 2020.

**Description of Capital Leases**

During 2020, 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, 2020, the intergovernmental payable balance was \$105,000.

**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, 2020, for Revenue Bonds and for Industrial Bonds is not available.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2020**

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**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, 2020, 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, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% 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 19.80% to the pension trust for non-hazardous job classifications and 30.23% 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, 2020, the City contributed \$1,312,619 or 100% of the required contribution for non-hazardous job classifications, and \$1,683,305, for the year ended June 30, 2020, or 100% of the required contribution for hazardous job classifications, to the same pension trust.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age to equal 87+
	Reduced retirement	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, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net</b>		
<b>Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
\$ 46,320,671	\$ 18,266,716	\$ 28,053,955

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. 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, 2019, was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.2597%	1.0156%

The proportionate share at June 30, 2019 relative to June 30, 2018 increased for non-hazardous by .0057% and increased for hazardous by .0014%.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
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**9. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2020, the City recognized pension expense of \$9,236,796. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 1,658,351	\$ 77,182
Changes of assumptions	4,571,973	-
Net difference between projected and actual earnings on Plan investments	-	691,504
Changes in proportion and differences between City contributions and proportionate share of contributions	558,012	214,728
City contributions subsequent to the measurement date	<u>2,953,560</u>	<u>-</u>
Total	<u>\$ 9,741,896</u>	<u>\$ 983,414</u>

The \$2,953,560 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, 2021. Contributions subsequent to the measurement date are reduced by retired re-employed employer contributions of \$42,366. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2021	\$ 3,847,117
2022	\$ 1,392,143
2023	\$ 519,486
2024	\$ 46,176

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.30%	
Salary increases	3.30% to 10.30%, varies by service, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	

**Hazardous**

Inflation	2.30%	
Salary increases	3.55 to 19.05%, varies by service, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

**9. RETIREMENT PLAN (CONTINUED)**

The actuarial assumptions used in the June 30, 2018, actuarial 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, 2018) to the plan's fiscal year ending June 30, 2019.

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 nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

*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 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 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:

	<b>Non-hazardous</b>		<b>Hazardous</b>	
	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 22,846,480	5.25%	\$ 35,073,739
Current discount rate	6.25%	\$ 18,266,716	6.25%	\$ 28,053,955
1% increase	7.25%	\$ 14,449,526	7.25%	\$ 22,298,745

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**9. RETIREMENT PLAN (CONTINUED)**

*Payable to the Pension Plan* – At June 30, 2020, the City reported a payable of \$364,062 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. 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, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% 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, 2020, the City contributed \$323,735, or 100% of the required contribution for non-hazardous job classifications, and \$533,103, or 100% of the required contribution for hazardous job classifications.

*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

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2020

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

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

<b>Total Net OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 11,879,906</u>	<u>\$ 4,367,347</u>	<u>\$ 7,512,559</u>

The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.2597%	1.0154%

The proportionate share at June 30, 2019 relative to June 30, 2018 for non-hazardous increased by .0057% and hazardous increased by .0014%.

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,621,603. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 2,715,311
Changes of assumptions	3,562,601	22,866
Net difference between projected and actual earnings on Plan investments	-	625,902
Changes in proportion and differences between City contributions and proportionate share of contributions	140,288	143,474
City contributions subsequent to the measurement date	<u>944,886</u>	<u>-</u>
Total	<u>\$ 4,647,775</u>	<u>\$ 3,507,553</u>

The \$944,886 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, 2021. This includes adjustments of \$49,403 for the nonhazardous implicit subsidy and \$5,380 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>		
2021	\$	422,412
2022	\$	22,845
2023	\$	(130,745)
2024	\$	(38,073)
2025	\$	(69,441)
2026	\$	(11,662)

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and Hazardous**

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, 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 Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% 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 24-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 3.56%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 28, 2019. 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.

*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	4.68%	\$ 5,850,449		4.69%	\$ 10,481,533	
Current discount rate	5.68%	\$ 4,367,347		5.69%	\$ 7,512,559	
1% increase	6.68%	\$ 3,145,371		6.69%	\$ 5,102,614	

*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	\$ 3,248,025		\$ 5,227,349	
Current trend rate	\$ 4,367,347		\$ 7,512,559	
1% increase	\$ 5,724,677		\$ 10,300,379	

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

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2020

**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, 2020, were as follows:

Fund	Receivable	Payable
General	\$ 3,993,125	\$ -
Cemetery Operations	-	15,580
State & Federal Grants	-	2,480,457
Landfill	-	27,456
Capital Projects	-	1,124,606
Alcohol	-	345,026
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 3,993,125</u>	<u>\$ 3,993,125</u>

**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, 2020, fund balances are composed of the following:

	General Fund	Business Park Fund	Capital Projects Fund	State & Federal Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:						
MAP fund	\$ -	\$ -	\$ -	\$ -	\$ 745,079	\$ 745,079
LGEA fund	-	-	-	-	72,340	72,340
Drug forfeiture	-	-	-	-	238,956	238,956
Cemetery perpetual care	-	-	-	-	652,631	652,631
State & Federal grants fund	-	-	-	98	-	98
Police evidence	89,805	-	-	-	-	89,805
Gus Wolf reserve	5,589	-	-	-	-	5,589
Medical escrow	23,022	-	-	-	-	23,022
Bond account	2,402	-	-	-	-	2,402
Street light deposits	389,948	-	-	-	-	389,948
Total Restricted	<u>510,766</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>1,709,006</u>	<u>2,219,870</u>
Assigned:						
Alcohol-related operations	-	-	-	-	439	439
Capital projects	254,349	1,771,702	903,779	-	-	2,929,830
Aquatic center	60,500	-	-	-	-	60,500
2020 budget allocations	4,492,552	-	-	-	-	4,492,552
Total Assigned	<u>4,807,401</u>	<u>1,771,702</u>	<u>903,779</u>	<u>-</u>	<u>439</u>	<u>7,483,321</u>
Unassigned	<u>11,825,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,825,561</u>
Total fund balances	<u>\$17,143,728</u>	<u>\$1,771,702</u>	<u>\$ 903,779</u>	<u>\$ 98</u>	<u>\$ 1,709,445</u>	<u>\$ 21,528,752</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**13. TRANSFERS**

The following operating transfers were made during the year:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -	\$ 347,907
Cemetery Perpetual Care	-	6,608
State & Federal Grants	100	-
Environmental Services	235,907	-
Business Park	72,993	-
Cemetery Operations	<u>45,515</u>	<u>-</u>
Total	<u>\$ 354,515</u>	<u>\$ 354,515</u>

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

- The transfer to the Cemetery Operations Fund was made to provide operating funds for the cemetery. In accordance with an interlocal agreement with Scott County Fiscal Court, the City and County are to split the cost of operating the cemetery 50/50 net of any income the cemetery may receive.
- In addition, the Perpetual Care Fund transfers investment earnings to the Operating Fund to cover maintenance costs.
- The transfer to the Environmental Services Fund was to fund stormwater projects.
- The transfer to the State & Federal Grants Fund was to fund small miscellaneous costs.
- The transfer to the Business Park Fund was made to provide funds to cover debt service.

**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.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**14. RELATED ORGANIZATIONS (CONTINUED)**

The City has contributed the following amounts to these organizations:

Georgetown/Scott County Parks & Recreation	\$ 1,064,675
Georgetown/Scott County Planning & Zoning	519,398
Georgetown/Scott County Ambulance	2,211,733
Georgetown/Scott County Disaster & Emergency Services	135,980
Georgetown/Scott County Senior Citizens	97,000
Georgetown/Scott County Electrical Inspection	159,567
Georgetown/Scott County Animal Shelter	193,649
Georgetown/Scott County E911 Billing	26,950
Georgetown/Scott County Revenue Commission	265,209
Georgetown/Scott County Airport	15,000
Scott United	40,000
Georgetown/Scott County Tourism	<u>40,000</u>
Total Contributions	<u><u>\$ 4,769,161</u></u>

**15. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2020:

Governmental activities:

General fund

Radio	\$ 3,240
Police ammunition	10,091
City Works renewal	<u>68,000</u>
Total	<u><u>\$ 81,332</u></u>

Capital projects fund

Radio system project	\$ 1,021,057
South sewer extension Contract 1	496,793
South sewer extension Contract 2	98,797
Cardinal Drive	8,455
Walmart Right In/Right Out	197,750
West Main Street project	939
KIA loan administration	<u>47,500</u>
Total	<u><u>\$ 1,871,291</u></u>

Federal & state grants fund

Cardinal Drive	\$ 33,818
West Main Street project	3,755
CDBG grant administration	45,000
AHTF grant application	<u>13,000</u>
Total	<u><u>\$ 95,573</u></u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2020**

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**15. SIGNIFICANT COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Business-type activities:

Environmental services	
Project/construction	<u>\$ 156,134</u>
Georgetown Municipal Water and Sewer Service	
WWTP No. 1 plant expansion	\$ 1,736,495
South sewer extension	98,797
Spring court back feed	51,976
East/West main street	620,094
VIP utility billing software	<u>7,800</u>
Total	<u>\$ 2,515,162</u>

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

**Line of Credit**

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, 2020, there was a balance of \$21,088 included in current liabilities.

	July 1, 2019	Advances	Payments	June 30, 2020
Line of credit	<u>\$ 470,077</u>	<u>\$ 13,450</u>	<u>\$ 462,439</u>	<u>\$ 21,088</u>

**Bond Anticipation Note**

The City entered into a \$6 million bond anticipation note agreement with Kentucky Bank on November 19, 2019, on behalf of the Water and Sewer Service for the purpose of financing wastewater improvements and additions. The current interest rate is at 2.61%. At June 30, 2020, there was a balance of \$1,315,563 included in noncurrent liabilities.

	July 1, 2019	Advances	Payments	June 30, 2020
Bond anticipation note	<u>\$ -</u>	<u>\$ 1,315,563</u>	<u>\$ -</u>	<u>\$ 1,315,563</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2020**

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**16. ECONOMIC DEPENDENCE**

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,316,957 (42.00%) of the City's license fees and permit revenue and \$108,424 (4.00%) of the City's property tax revenue. The total amount paid by these companies represents 31.00% of the General Fund revenues. In addition, they provided 8.6% of the operating revenue of GMWSS. Ten other customers accounted for 4.8% of the operating revenue of GMWSS.

**17. CONTRIBUTED ASSETS**

Contributed assets totaling \$2,601,546 have been reported in the accompanying statement of revenues, expenses, and changes in net position for business-type activities. These contributions include \$1,547,352 of contributions made by various state and local governments and developers. In addition, \$1,054,194 of capital contributions was received from a commercial customer. These funds were used to construct various water and sewer projects.

Contributed assets totaling \$3,772,369 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 2020, the City had several agreements which have been granted final approval by the state, but none of the new agreements 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 \$17,798 in occupational license fees to ICI during 2020.

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 \$1,905,736 in occupational license fees to TMMK during 2020. 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, 2020**

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**20. RESTATEMENT OF NET POSITION**

During 2020, the City restated the net position of the governmental activities for construction in progress on Lanes Run Business Park project. 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 2019, \$478,784 was capitalized by Georgetown Municipal Water and Sewer Service for projects that were completed. The government-wide financial statements must be decreased on the statement of net position to account for this asset capitalization by GMWSS.

	<b>2020</b>
<b>Governmental activities</b>	
Net position, at beginning of year	\$ 78,815,530
Less construction in progress on LRBP	<u>(478,784)</u>
Net position, at beginning of year, as restated	<u>\$ 78,336,746</u>

**21. 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. The City has received funding from the Coronavirus Relief Fund during 2020 and will receive additional funding during 2021 from various federal sources to help minimize the impact of the pandemic.

**22. SUSEQUENT EVENT**

In May 2021, the City Council approved a loan with the Kentucky Infrastructure Authority in the amount of \$23,540,000. The purpose of this loan is to acquire and construct certain facilities and improvements to the City's sewer system. Total project costs are estimated to be \$26,340,000 and will be funded via the KIA loan, two grants, Scott County, Lexington-Fayette Urban County Government, and the City.

## **SUPPLEMENTARY INFORMATION**

**CITY OF GEORGETOWN, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISONS**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,544,997	\$ 144,997
Licenses and permits	19,296,300	19,296,300	20,032,468	736,168
Charges for service	213,072	213,072	189,010	(24,062)
Fines	139,000	139,000	149,609	10,609
Intergovernmental	3,067,465	3,379,288	3,286,646	(92,642)
Investment income	50,000	50,000	248,926	198,926
Other revenue	<u>1,000</u>	<u>1,000</u>	<u>870,224</u>	<u>869,224</u>
 Total revenues	 <u>25,166,837</u>	 <u>25,478,660</u>	 <u>27,321,880</u>	 <u>1,843,220</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,619,055	1,653,055	1,560,160	92,895
City Council	182,360	182,360	166,603	15,757
City Clerk	227,898	228,883	209,325	19,558
Police	5,565,807	5,622,337	3,788,515	1,833,822
Fire	5,846,998	5,885,342	4,449,171	1,436,171
Telecommunications	1,619,809	2,056,965	1,594,112	462,853
Code enforcement	315,202	315,202	285,323	29,879
Building inspection	546,950	548,440	505,803	42,637
Community development	5,804,436	5,876,536	5,312,775	563,761
Public works	1,685,766	1,717,591	1,314,746	402,845
Utilities	783,400	828,400	801,649	26,751
Capital outlay	459,290	842,064	1,013,900	(171,836)
Debt service	<u>1,091,501</u>	<u>1,091,501</u>	<u>1,585,396</u>	<u>(493,895)</u>
 Total expenditures	 <u>25,748,472</u>	 <u>26,848,676</u>	 <u>22,587,478</u>	 <u>4,261,198</u>
 Excess of Revenues over (under) Expenditures	 <u>(581,635)</u>	 <u>(1,370,016)</u>	 <u>4,734,402</u>	 <u>6,104,418</u>
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	-	-	366,491	366,491
Property sales	10,000	10,000	13,347	3,347
Transfers in (out)	<u>(483,011)</u>	<u>(817,335)</u>	<u>(347,907)</u>	<u>469,428</u>
 Total other financing sources (uses)	 <u>(473,011)</u>	 <u>(807,335)</u>	 <u>31,931</u>	 <u>839,266</u>
 Net change in fund balance	 (1,054,646)	 (2,177,351)	 4,766,333	 6,943,684
 Fund balance, beginning of year	 <u>12,377,395</u>	 <u>12,377,395</u>	 <u>12,377,395</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 11,322,749</u>	 <u>\$ 10,200,044</u>	 <u>\$ 17,143,728</u>	 <u>\$ 6,943,684</u>

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
BUSINESS PARK FUND  
for the year ended June 30, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 2,529,863	\$ 2,779,863	\$ 1,958,416	\$ (821,447)
Other revenue	<u>-</u>	<u>-</u>	<u>11,250</u>	<u>(11,250)</u>
Total Revenues	<u>2,529,863</u>	<u>2,779,863</u>	<u>1,969,666</u>	<u>(810,197)</u>
<b>EXPENDITURES</b>				
Current				
Community development	1,343,605	1,271,250	519,037	752,213
Capital outlay	3,716,121	2,956,135	2,909,046	47,089
Debt service	<u>74,115</u>	<u>74,115</u>	<u>72,993</u>	<u>1,122</u>
Total Expenditures	<u>5,133,841</u>	<u>4,301,500</u>	<u>3,501,076</u>	<u>800,424</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,603,978)</u>	<u>(1,521,637)</u>	<u>(1,531,410)</u>	<u>(9,773)</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	124,400	124,400
Transfers in (out)	<u>74,115</u>	<u>74,115</u>	<u>72,993</u>	<u>(1,122)</u>
	<u>74,115</u>	<u>74,115</u>	<u>197,393</u>	<u>123,278</u>
Net change in fund balance	(2,529,863)	(1,447,522)	(1,334,017)	113,505
Fund Balance, beginning of year	<u>3,105,719</u>	<u>3,105,719</u>	<u>3,105,719</u>	<u>-</u>
<b>Fund Balance, end of year</b>	<u>\$ 575,856</u>	<u>\$ 1,658,197</u>	<u>\$ 1,771,702</u>	<u>\$ 113,505</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISONS**  
**CAPITAL PROJECTS FUND**  
**for the year ended June 30, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 4,800,723	\$ 3,477,528	\$ 2,262,595	\$ (1,214,933)
Other revenue	-	208,000	93	(207,907)
 Total Revenues	 <u>4,800,723</u>	 <u>3,685,528</u>	 <u>2,262,688</u>	 <u>(1,422,840)</u>
<b>EXPENDITURES</b>				
Current				
Community development	1,219,600	1,080,440	24,639	1,055,801
Capital outlay	<u>8,624,477</u>	<u>6,447,400</u>	<u>5,186,652</u>	<u>1,260,748</u>
 Total Expenditures	 <u>9,844,077</u>	 <u>7,527,840</u>	 <u>5,211,291</u>	 <u>2,316,549</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,043,354)</u>	<u>(3,842,312)</u>	<u>(2,948,603)</u>	<u>893,709</u>
Other Financing Sources (Uses) Transfers in (out)	-	-	-	-
Net change in fund balance	(5,043,354)	(3,842,312)	(2,948,603)	893,709
Fund Balance, beginning of year	<u>3,852,382</u>	<u>3,852,382</u>	<u>3,852,382</u>	<u>-</u>
<b>Fund Balance, end of year</b>	<b><u>\$ (1,190,972)</u></b>	<b><u>\$ 10,070</u></b>	<b><u>\$ 903,779</u></b>	<b><u>\$ 893,709</u></b>

**CITY OF GEORGETOWN, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISONS**  
**STATE AND FEDERAL GRANTS FUND**  
**for the year ended June 30, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 875,006	\$ 1,864,157	\$ 2,835,039	\$ 970,882
Other revenue	-	-	-	-
<b>Total Revenues</b>	<u>875,006</u>	<u>1,864,157</u>	<u>2,835,039</u>	<u>970,882</u>
<b>EXPENDITURES</b>				
Current				
Police	75,592	131,898	1,364,756	(1,232,858)
Fire	-	-	1,128,226	(1,128,226)
Public works	15,465	15,465	17,303	(1,838)
Community development	-	771,920	25,200	746,720
Capital outlay	<u>784,450</u>	<u>954,123</u>	<u>299,556</u>	<u>654,567</u>
<b>Total Expenditures</b>	<u>875,507</u>	<u>1,873,406</u>	<u>2,835,041</u>	<u>(961,635)</u>
Excess of Revenues Over (Under) Expenditures	<u>(501)</u>	<u>(9,249)</u>	<u>(2)</u>	<u>9,247</u>
Other Financing Sources (Uses) Transfers in (out)	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Net change in fund balance	(501)	(9,249)	98	9,347
Fund Balance, beginning of year	-	-	-	-
<b>Fund Balance, end of year</b>	<u>\$ (501)</u>	<u>\$ (9,249)</u>	<u>\$ 98</u>	<u>\$ 9,347</u>

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

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<b>Report Date Measurement Date</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net pension liability	0.2400%	0.2400%	0.2415%	0.2431%	0.2476%	0.2540%	0.2597%
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	\$ 18,266,716
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
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%	278.94%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

Notes:

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

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

---

<b>Report Date Measurement Date</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net pension liability	0.9560%	0.9560%	0.9899%	0.9970%	1.0405%	1.0142%	1.0156%
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	\$ 28,053,955
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
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%	485.06%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%

Notes:

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

**CITY OF GEORGETOWN, KENTUCKY  
 REQUIRED SUPPLEMENTARY SCHEDULE OF  
 PENSION CONTRIBUTIONS - NONHAZARDOUS  
 Last Eight Fiscal Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 660,173	\$ 764,808	\$ 726,520	\$ 726,337	\$ 860,681	\$ 932,925	\$ 1,084,561	\$ 1,312,619
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>	<u>1,312,619</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	 \$ 6,630,214
Employer contributions as a percentage of covered-employee payroll	12.63%	13.78%	12.85%	12.42%	13.95%	14.82%	16.56%	19.80%

Notes:

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

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PENSION CONTRIBUTIONS - HAZARDOUS  
Last Eight Fiscal Years**

---

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 945,898	\$ 1,057,841	\$ 1,049,670	\$ 1,050,733	\$ 1,235,138	\$ 1,255,246	\$ 1,438,484	\$ 1,683,305
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>	<u>1,683,305</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 5,568,623
Employer contributions as a percentage of covered-employee payroll	20.13%	21.78%	20.73%	20.26%	21.71%	22.20%	24.87%	30.23%

Notes:

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

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

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<b>Report Date Measurement Date</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net OPEB liability	0.2431%	0.2476%	0.2540%	0.2597%
City's proportionate share of the net OPEB liability (asset)	\$ 3,904,948	\$ 4,978,451	\$ 4,510,039	\$ 4,367,347
City's covered employee payroll	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046	\$ 6,685,779
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.77%	80.68%	71.63%	65.32%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

Notes:

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

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

---

<b>Report Date Measurement Date</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net OPEB liability	0.9970%	1.0405%	1.0140%	1.0154%
City's proportionate share of the net OPEB liability (asset)	\$ 5,139,655	\$ 8,601,402	\$ 7,231,449	\$ 7,512,559
City's covered employee payroll	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263	\$ 5,783,611
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	99.10%	151.19%	127.89%	129.89%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%

**Notes:**

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

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
OPEB CONTRIBUTIONS - NONHAZARDOUS  
Last Eight Fiscal Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 362,520	\$ 286,663	\$ 280,352	\$ 271,353	\$ 291,829	\$ 302,815	\$ 351,714	\$ 323,735
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>	<u>323,735</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	\$ 6,685,779	\$ 6,801,138
Employer contributions as a percentage of covered-employee payroll	6.94%	5.16%	4.96%	4.64%	4.73%	4.81%	5.26%	4.76%

Notes:

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

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
OPEB CONTRIBUTIONS - HAZARDOUS  
Last Eight Fiscal Years**

---

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 823,543	\$ 676,882	\$ 687,628	\$ 658,134	\$ 531,945	\$ 528,674	\$ 605,586	\$ 533,103
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>	<u>533,103</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	\$ 5,599,818
Employer contributions as a percentage of covered-employee payroll	17.53%	13.93%	13.58%	12.69%	9.35%	9.35%	10.47%	9.52%

Notes:

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

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2020**

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**1. 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.

**2. CERS**

General Information

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2020**

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**2. CERS (Continued)**

Changes of Assumptions

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2020**

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**2. CERS (Continued)**

Changes of Assumptions (continued)

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

**CITY OF GEORGETOWN, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020**

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	<b>Municipal Aid Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Drug Forfeiture Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Alcohol Fund</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 702,012	\$ 72,340	\$ 238,606	\$ 271,337	\$ -	\$ 1,284,295
Restricted cash and cash equivalents	-	-	-	19,622	-	19,622
Investments	-	-	-	361,672	-	361,672
Accounts receivable:						
Intergovernmental	43,067	-	350	-	-	43,417
Other	-	-	-	-	347,840	347,840
Due from other funds	-	-	-	-	-	-
 Total Assets	 <u>\$ 745,079</u>	 <u>\$ 72,340</u>	 <u>\$ 238,956</u>	 <u>\$ 652,631</u>	 <u>\$ 347,840</u>	 <u>\$ 2,056,846</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,375	\$ 2,375
Due to other funds	-	-	-	-	345,026	345,026
 Total Liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>347,401</u>	 <u>347,401</u>
<b>FUND BALANCE</b>						
Fund Balance						
Restricted	745,079	72,340	238,956	652,631	-	1,709,006
Assigned	-	-	-	-	439	439
 Total Fund Balance	 <u>745,079</u>	 <u>72,340</u>	 <u>238,956</u>	 <u>652,631</u>	 <u>439</u>	 <u>1,709,445</u>
 Total Liabilities and Fund Balance	 <u>\$ 745,079</u>	 <u>\$ 72,340</u>	 <u>\$ 238,956</u>	 <u>\$ 652,631</u>	 <u>\$ 347,840</u>	 <u>\$ 2,056,846</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2020**

	<b>Municipal Aid Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Drug Forfeiture Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Alcohol Fund</b>	<b>Total</b>
<b>REVENUES</b>						
Intergovernmental	\$ 552,423	\$ 23,408	\$ 1,875	\$ -	\$ -	\$ 577,706
Licenses and permits	-	-	-	-	1,159,516	1,159,516
Interest income	<u>2,874</u>	<u>296</u>	<u>977</u>	<u>12,768</u>	<u>-</u>	<u>16,915</u>
Total Revenues	<u>555,297</u>	<u>23,704</u>	<u>2,852</u>	<u>12,768</u>	<u>1,159,516</u>	<u>1,754,137</u>
<b>EXPENDITURES</b>						
Current						
Administration	-	-	-	3,789	44,902	48,691
Police	-	-	21,116	-	1,109,219	1,130,335
Public works	385,593	27,903	-	-	-	413,496
Capital outlay	<u>-</u>	<u>-</u>	<u>59,995</u>	<u>-</u>	<u>5,388</u>	<u>65,383</u>
Total Expenditures	<u>385,593</u>	<u>27,903</u>	<u>81,111</u>	<u>3,789</u>	<u>1,159,509</u>	<u>1,657,905</u>
Excess of Revenues Over (Under) Expenditures	<u>169,704</u>	<u>(4,199)</u>	<u>(78,259)</u>	<u>8,979</u>	<u>7</u>	<u>96,232</u>
Other Financing Sources (Uses)						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,608)</u>	<u>-</u>	<u>(6,608)</u>
Net change in fund balance	169,704	(4,199)	(78,259)	2,371	7	89,624
Fund Balance, beginning of year	<u>575,375</u>	<u>76,539</u>	<u>317,215</u>	<u>650,260</u>	<u>432</u>	<u>1,619,821</u>
<b>Fund Balance, end of year</b>	<u><u>\$ 745,079</u></u>	<u><u>\$ 72,340</u></u>	<u><u>\$ 238,956</u></u>	<u><u>\$ 652,631</u></u>	<u><u>\$ 439</u></u>	<u><u>\$ 1,709,445</u></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, 2020, 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 July 13, 2021.

**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) as a basis for designing 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 financial statements. 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  
July 13, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council  
City of Georgetown, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Georgetown, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Georgetown, Kentucky's major federal programs for the year ended June 30, 2020. City of Georgetown, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Georgetown, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Georgetown, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Georgetown, Kentucky's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Georgetown, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of the City of Georgetown, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Georgetown, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Georgetown, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
July 13, 2021

**CITY OF GEORGETOWN, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2020**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Passed Through to Subrecipients	Expenditures
U.S. Department of the Treasury				
Passed through the Kentucky Department for Local Government				
COVID-19 - Coronavirus Relief Fund for States	21.019	PON2 1122000004017	\$ -	\$ 2,418,315
<b>Total U.S. Department of the Treasury</b>			<b>\$ -</b>	<b>\$ 2,418,315</b>
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	\$ -	\$ 5,404
Victims of Crime Advocate	16.841	N/A	-	57,376
Equitable Sharing Program	16.922	N/A	-	59,995
<b>Total U.S. Department of Justice</b>			<b>\$ -</b>	<b>\$ 122,775</b>
U.S. Department of Transportation				
Passed through the Kentucky Transportation Cabinet				
Highway Planning and Construction - CMAQ	20.205	SC-628-18000000918	\$ -	\$ 73,487
Highway Planning and Construction - TAP	20.205	4000-078	-	34,424
Highway Planning and Construction - Ward Hall	20.205	PO2-625-1300002432	-	23,650
			-	131,561
State and Community Highway Safety	20.600	PD PT-19-29	-	2,866
<b>Total U.S. Department of Transportation</b>			<b>\$ -</b>	<b>\$ 134,427</b>
U.S. Department of Homeland Security				
Passed through the Kentucky Office of Homeland Security				
State Homeland Security Grant - Police Department	97.067	SC 0941900001191	\$ -	\$ 40,949
State Homeland Security Grant - Fire Department	97.067	SC 0941900001187	-	27,000
<b>Total U.S. Department of Homeland Security</b>			<b>\$ -</b>	<b>\$ 67,949</b>
<b>Total federal awards expended</b>			<b>\$ -</b>	<b>\$ 2,743,466</b>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Georgetown, Kentucky and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

**CITY OF GEORGETOWN, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2020**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not  
considered to be material weaknesses \_\_Yes XNone reported

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not  
considered to be material weaknesses \_\_Yes XNone reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?

\_\_Yes XNo

**Major Program:**

**CFDA Numbers**

**Name of Federal Program or Cluster**

21.019

COVID-19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between type A  
and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

\_\_Yes XNo

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**IV. PRIOR AUDIT FINDINGS**

NONE