

**CITY OF GEORGETOWN**  
Georgetown, Kentucky



**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
June 30, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the City of Georgetown, Kentucky's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky, as of June 30, 2021, 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 postemployment benefit schedules on pages 4-10 and 48-59 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.

### *Prior-Year Comparative Information*

We have previously audited the City's financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated July 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *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 January 10, 2022, 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  
January 10, 2022

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, 2021**

**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, 2021. 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 11 through 47 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. During FY2021, the inducement schedule was revised so that the City would pay \$1.2 million beginning with FY2021 through FY2026, with the final year contribution of \$604,487 in FY2027. The total contribution of the City during FY2021 was \$1.2 million, which leaves a remaining balance of \$6,604,487 for the duration of the incentive program.
- During FY 2021, the City was awarded additional Federal CARES Act funding in the amount of \$787,670 and expended a total of \$842,576 of CARES Act funding on first responder salaries. In FY2022, the City received an additional CARES Act funding allotment of \$256,188, which will also be spent on first responder salaries.
- In July 2021, the City received the first half of its American Rescue Plan Act funds in the amount of \$4,530,747 and will receive the second half in 2022. The City is still developing a final budget for the use of these funds.

**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 an increase in the City's Occupational License Fees, specifically Employee Withholding, as well as additional federal grant funding from the CARES Act. The City continued work on various long-term capital projects, completing a few, but did not invest as much in other capital expenditures for FY2021.

The following table outlines a condensed version of the Statement of Net Position for June 30, 2021, and 2020.

**City of Georgetown  
Net Position  
June 30, 2021 & 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 27,653,709	\$ 22,682,646	\$ 3,875,097	\$ 3,233,230	\$ 31,528,806	\$ 25,915,876
Capital assets	109,624,436	112,217,163	101,429,036	99,342,047	211,053,472	211,559,210
Other assets	993,781	887,140	6,116,535	3,498,282	7,110,316	4,385,422
Deferred Outflows of Resources	9,700,415	11,024,287	3,760,363	3,370,082	13,460,778	14,394,369
Total assets and deferred outflows	147,972,341	146,811,236	115,181,031	109,443,641	263,153,372	256,254,877
Long-term debt outstanding	12,882,286	12,847,831	10,156,060	8,323,140	23,038,346	21,170,971
Other liabilities	51,595,375	48,819,966	19,453,126	16,581,228	71,048,501	65,401,194
Deferred Inflows of Resources	3,070,320	3,340,284	674,315	1,150,683	3,744,635	4,490,967
Total liabilities and deferred inflows	67,547,981	65,008,081	30,283,501	26,055,051	97,831,482	91,063,132
Net position:						
Net invested in capital assets	96,742,150	98,141,615	94,425,736	91,371,106	191,167,886	189,512,721
Restricted	2,724,965	2,219,870	5,809,438	3,203,900	8,534,403	5,423,770
Unrestricted	(19,042,755)	(18,558,330)	(15,337,644)	(11,186,416)	(34,380,399)	(29,744,746)
Total net position	\$ 80,424,360	\$ 81,803,155	\$ 84,897,530	\$ 83,388,590	\$ 165,321,890	\$ 165,191,745

Governmental current assets increased due to additional cash on hand from increased revenues. Capital Assets decreased mainly due to transferring ownership of infrastructure construction in progress to the City-owned sewer utility. 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, 911 Fund, MAP, LGEA, Grant Fund, Cemetery Perpetual Care, and Drug Forfeiture resources.

Assets for Business-Type Activities increased due to additional Construction in Progress and increased cash flow. Liabilities increased mainly due to changes in the Net Pension and OPEB liabilities, as well as additional long-term debt. Net position increased due to capital asset additions.

The Statement of Activities (page 12) 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 2021 and 2020 fiscal years.

**City of Georgetown**  
**Operating Results for the Years Ended June 30, 2021 & 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues:						
Program revenues:						
Charges for service	551,853	574,037	17,239,079	15,806,095	17,790,932	16,380,132
Operating grants and contributions	5,019,836	6,399,835	151,442	158,748	5,171,278	6,558,583
Capital grants and contributions	1,615,231	8,337,311	1,628,582	2,601,546	3,243,813	10,938,857
General revenues:						
Property taxes	2,775,201	2,544,997	-	-	2,775,201	2,544,997
License fees and permits	3,160,238	3,067,393	-	-	3,160,238	3,067,393
Occupational license fees	16,757,807	14,416,268	-	-	16,757,807	14,416,268
Insurance premium tax	3,628,413	3,338,296	-	-	3,628,413	3,338,296
Telecommunications excise tax	-	-	-	-	-	-
Interest and investment earnings	111,998	265,934	25,474	48,303	137,472	314,237
Fines and reimbursements	180,117	149,609	-	-	180,117	149,609
Other local revenues	818,619	74,990	-	-	818,619	74,990
Total revenues	<u>34,619,313</u>	<u>39,168,670</u>	<u>19,044,577</u>	<u>18,614,692</u>	<u>53,663,890</u>	<u>57,783,362</u>
Program Expenses:						
General government	2,898,315	3,043,099	-	-	2,898,315	3,043,099
Public protection						
Police	8,972,813	9,261,161	-	-	8,972,813	9,261,161
Fire	8,021,512	8,311,041	-	-	8,021,512	8,311,041
Telecommunications	2,319,537	1,956,423	-	-	2,319,537	1,956,423
Building inspection	708,526	614,712	-	-	708,526	614,712
Community Development	5,940,884	5,881,651	-	-	5,940,884	5,881,651
Codes Enforcement	284,172	341,857	-	-	284,172	341,857
Public works						
Road maintenance	6,023,259	5,555,654	-	-	6,023,259	5,555,654
Water & sewer treatment	-	-	14,777,431	14,671,905	14,777,431	14,671,905
Garbage collection	-	-	2,151,018	1,972,685	2,151,018	1,972,685
Recycling services	-	-	284,521	352,703	284,521	352,703
Stormwater management	-	-	126,724	256,898	126,724	256,898
Landfill postclosure care	-	-	-	-	-	-
Cemetery:						
Operations	-	-	390,048	420,208	390,048	420,208
Perpetual care	-	-	-	-	-	-
Interest on long-term debt	407,776	430,540	-	-	407,776	430,540
Total expenses	<u>35,576,794</u>	<u>35,396,138</u>	<u>17,729,742</u>	<u>17,674,399</u>	<u>53,306,536</u>	<u>53,070,537</u>
Excess (deficiency) before transfers and special items	(957,481)	3,772,532	1,314,835	940,293	357,354	4,712,825
Gain (Loss) on disposal of property	(222,868)	(24,701)	(4,341)	2,160	(227,209)	(22,541)
Transfers	(198,446)	(281,422)	198,446	281,422	-	-
Net increase (decrease) in net position	<u>(1,378,795)</u>	<u>3,466,409</u>	<u>1,508,940</u>	<u>1,223,875</u>	<u>130,145</u>	<u>4,690,284</u>





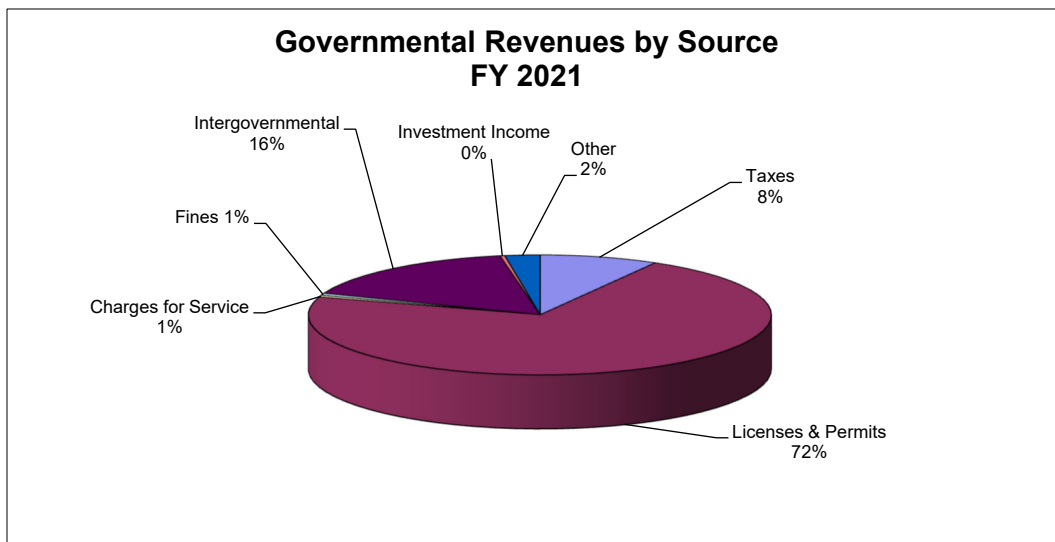
The City's revenues increased mainly due to increased Occupational License Fees, specifically Employee Withholding Taxes. Revenues for business-type activities increased mainly due to Charges for Service from Water/Sewer services.

On the other side of the City's ledger, governmental operating costs stayed about the same, due to the City holding off on capital expenditures during the COVID-19 pandemic and delaying raises for employees until later in the year. 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 FY2020, with the main increases due to the operation of Water & Sewer and Sanitation services, due to increased salaries and benefits.

### Fund Financial Statements

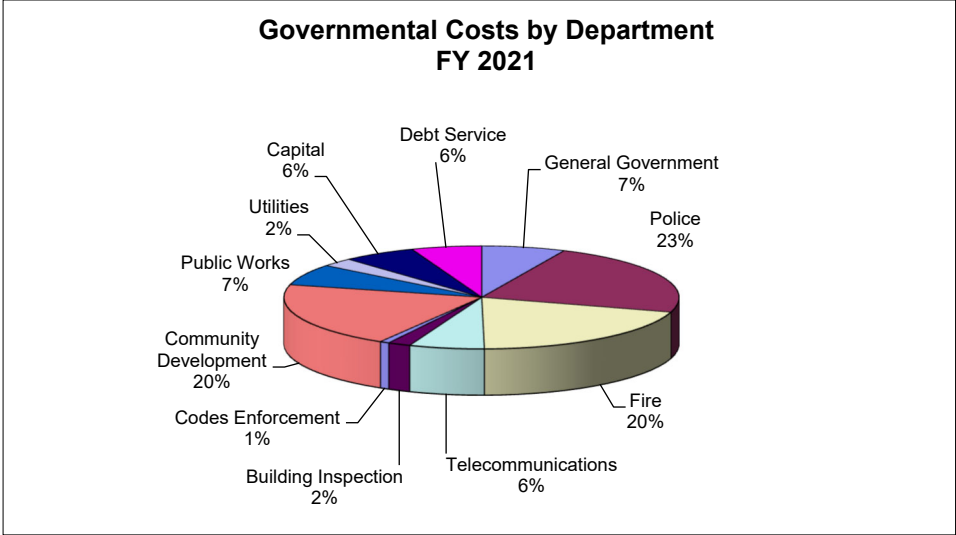
The main focus of Fund Financial Statements is on the specific activities of the City instead of the financial activities of the City as a whole. The City's fund financial statements are divided into Governmental Funds and Proprietary Funds.

- Governmental Funds.** The City's governmental funds include the General Fund and several special revenue funds, including the 911 Fund, 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 (72%) on businesses and their employees. Taxes provide another 8% and intergovernmental revenues are 16% of the total governmental resources. Details about individual funds are reported on pages 13- 16 and 60 - 61 of this report.

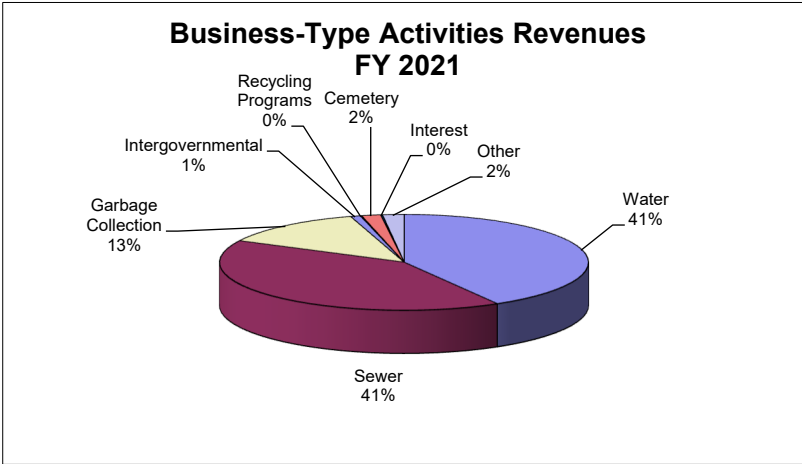


Governmental expenditures include basic services such as police, fire, code enforcement, public works, road maintenance, building inspection, and telecommunications/911. The following chart highlights the allocation among major categories. Community Development includes parks, planning and zoning, and 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 16 and 61 of this report.



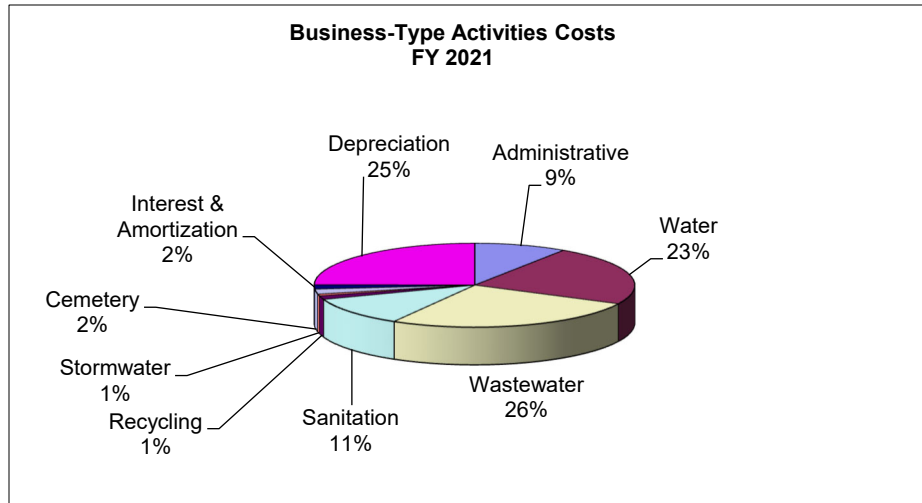


- Proprietary Funds.** The City's proprietary funds include the water, sewer, recycling, storm water, solid waste, and cemetery operations. These funds are financed with user fees based on consumption and the costs of providing these services. In FY 2021, \$112,106 was transferred from the General Fund to the Environmental Services Fund and \$29,493 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 18 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 48 of this report. Total revenues for the year were \$3,734,559 more than budgeted, and expenditures were \$1,536,396 less than budgeted to provide a net positive budget variance of \$5,485,169 for the year after accounting for other financing sources and uses. This is due to revenues being higher than anticipated during the COVID-19 pandemic, expenditures being lower than anticipated, transfers to other funds being less than anticipated, and additional federal CARES Act funding that allowed the City to transfer expenditures to the Grant Fund. Most revenue categories exceeded budget expectations and nearly all expenditures remained under budget for the year.

The original budget for FY 2022 was adopted with a small budgetary surplus of \$212. As the City continues to address operating and capital needs of its departments that were delayed due to the COVID-19 pandemic and continues to see revenues outperforming the budget, an amendment in late 2021 adjusted the General Fund budget to use \$515,295 of prior year revenues. Approximately \$253,000 of this was for expenses budgeted during FY2021, but not incurred until FY2022, with the remaining amount for new technology, additional personnel, and other new initiatives.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation expense for governmental assets totaled \$4.973 million while capital outlay expenses totaled \$1,755,051. The City also has Construction in Progress of \$7,225,901 for various construction projects.

Debt service for the City's governmental funds is 4.6% of the total annual appropriations, the same as the previous year.

The Georgetown Municipal Water and Sewer Service funds maintain a debt-to-equity ratio of 12.3%, with outstanding debt of \$10,064,836 and net invested in capital assets of \$90.4 million.

Additional information about capital assets and liabilities is outlined on page 27 through 32 of this report.



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

In October 2020, the City passed an ordinance creating a flat monthly 911 Service Fee for each occupied unit in the City of Georgetown for the privilege of having access to a 911 service. The fee became effective December 2020 at a rate of \$6 per month per occupied unit to be assessed on the customer's water bill. The fee increased to \$7 per month on July 1, 2021, and will increase again to \$8 per month on July 1, 2022. The fee is expected to generate \$1.1 million in FY2022 and \$1.3 million in FY2023. The fee will be accounted for in a special revenue fund solely for the purpose of funding the City's costs related to the 911 Dispatch service.

The City also passed an ordinance during FY2021 increasing the Insurance Premium Tax rate from 5% to 8% effective July 1, 2021. The City anticipates an additional \$2.1 million in additional revenues during FY2022 from the rate increase. The additional revenue will be accounted for in the General Fund for general City expenditures such as additional personnel, wage increases, increased retirement contributions, and capital expenditures.

During FY 2022, the landfill used for disposal of the City's municipally collected solid waste was ordered by the State to close. In the interim, the City issued a bid to ensure a facility would be available for the disposal of the City's solid waste. The City utilized this disposal contract from the date of the landfill closure and anticipates the last solid waste disposal to occur in early February 2022. The City issued an RFP for and awarded an exclusive solid waste franchise to Republic Services for residential and commercial herbie collection, including curbside recycling. The City anticipates that Republic Services will begin collection services on February 1, 2022. Georgetown Municipal Water and Sewer Service will continue to bill City customers for solid waste collection and will remit funds collected to the City on a monthly basis. The City will be responsible for payment of a consolidated bill to Republic Services each month and anticipates that there will be an allowance for doubtful accounts for the difference between amounts collected from GMWSS and paid to Republic.

As the City closes out its solid waste collection and disposal business, nearly all Sanitation and Recycling employees will be transitioned to the City's Public Works department, which is funded by General Revenues. Although the City will collect a 10% Garbage Franchise Fee from Republic, calculated on the revenues Republic receives from the City for the service, the General Fund will be absorbing approximately \$500,000 annually for the additional personnel and operating expenses that were previously covered by sanitation revenues. However, the City's analysis determined that if the City maintained responsibility for collection and disposal of solid waste, the additional expenses for landfill tipping fees would have been even greater.

## **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, 2021**

	Primary Government			2020 Totals
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 23,507,374	\$ 1,786,261	\$ 25,293,635	\$ 14,958,102
Investments	1,163,954	-	1,163,954	1,155,438
Accounts receivable				
Taxes and licenses, net	1,715,141	-	1,715,141	1,646,670
Customer, net	-	2,024,962	2,024,962	1,830,578
Intergovernmental	631,263	50,437	681,700	5,662,838
Other	601,008	-	601,008	629,287
Accrued interest	7,513	-	7,513	7,512
Prepaid expenses	-	40,893	40,893	25,451
Internal balances	27,456	(27,456)	-	-
Total current assets	<u>27,653,709</u>	<u>3,875,097</u>	<u>31,528,806</u>	<u>25,915,876</u>
Noncurrent assets				
Restricted cash and cash equivalents	549,383	4,625,122	5,174,505	2,548,405
Restricted investments	444,398	1,488,247	1,932,645	1,828,132
Accrued interest receivable	-	3,166	3,166	8,885
Nondepreciable capital assets, land	10,755,334	3,327,872	14,083,206	13,986,651
Depreciable capital assets, net	97,086,037	92,658,328	189,744,365	184,419,968
Construction in progress	1,783,065	5,442,836	7,225,901	13,152,591
Total noncurrent assets	<u>110,618,217</u>	<u>107,545,571</u>	<u>218,163,788</u>	<u>215,944,632</u>
Total assets	<u>138,271,926</u>	<u>111,420,668</u>	<u>249,692,594</u>	<u>241,860,508</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	5,772,271	2,010,774	7,783,045	9,741,896
Deferred outflows - OPEB	3,928,144	1,746,336	5,674,480	4,647,775
Defeasance on refunding	-	3,253	3,253	4,698
Total deferred outflows of resources	<u>9,700,415</u>	<u>3,760,363</u>	<u>13,460,778</u>	<u>14,394,369</u>
Total assets and deferred outflows of resources	<u>\$ 147,972,341</u>	<u>\$ 115,181,031</u>	<u>\$ 263,153,372</u>	<u>\$ 256,254,877</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 768,775	\$ 1,261,879	\$ 2,030,654	\$ 668,857
Accrued liabilities	1,186,014	1,232,424	2,418,438	1,633,659
Contracts payable	-	243,503	243,503	120,501
Accrued interest payable	18,287	23,214	41,501	44,527
Customer deposits	381,345	283,883	665,228	726,874
Unearned revenue	211,435	-	211,435	201,189
Line of credit payable, current	-	-	-	21,088
Accrued compensated absences, current	97,122	93,975	191,097	164,218
Current portion of intergovernmental payable	15,000	-	15,000	15,000
Current portion of bonds and notes payable	831,730	935,000	1,766,730	1,725,631
Current portion of capital lease obligations	507,173	34,039	541,212	444,362
Total current liabilities	<u>4,016,881</u>	<u>4,107,917</u>	<u>8,124,798</u>	<u>5,765,906</u>
Noncurrent liabilities				
Compensated absences	712,228	801,466	1,513,694	1,344,711
Bond anticipation note	-	3,152,760	3,152,760	1,315,563
Intergovernmental payable	75,000	-	75,000	90,000
Bonds and notes payable	10,920,496	5,977,076	16,897,572	17,453,315
Capital lease obligations	622,887	57,185	680,072	2,402,093
Net pension liability	36,790,155	11,799,149	48,589,304	46,320,671
Net OPEB liability	11,340,014	3,713,633	15,053,647	11,879,906
Total noncurrent liabilities	<u>60,460,780</u>	<u>25,501,269</u>	<u>85,962,049</u>	<u>80,806,259</u>
Total liabilities	<u>64,477,661</u>	<u>29,609,186</u>	<u>94,086,847</u>	<u>86,572,165</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pension	1,258,531	24,807	1,283,338	983,414
Deferred inflows - OPEB	1,811,789	649,508	2,461,297	3,507,553
Total deferred inflows of resources	<u>3,070,320</u>	<u>674,315</u>	<u>3,744,635</u>	<u>4,490,967</u>
<b>NET POSITION</b>				
Net investment in capital assets	96,742,150	94,425,736	191,167,886	189,512,721
Restricted	2,724,965	5,809,438	8,534,403	5,423,770
Unrestricted	(19,042,755)	(15,337,644)	(34,380,399)	(29,744,746)
Total net position	<u>80,424,360</u>	<u>84,897,530</u>	<u>165,321,890</u>	<u>165,191,745</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 147,972,341</u>	<u>\$ 115,181,031</u>	<u>\$ 263,153,372</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2020 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 2,898,315	\$ 86,339	\$ 21,250	\$ -	\$ (2,790,726)	\$ -	\$ (2,790,726)	\$ (2,921,920)
Public safety								
Police	8,972,813	68,443	855,453	-	(8,048,917)	-	(8,048,917)	(7,482,510)
Fire	8,021,512	-	677,359	-	(7,344,153)	-	(7,344,153)	(6,879,277)
Telecommunications	2,319,537	-	1,093,677	-	(1,225,860)	-	(1,225,860)	(640,482)
Building inspection	708,526	372,222	385,027	-	48,723	-	48,723	149,609
Codes enforcement	284,172	-	107,351	-	(176,821)	-	(176,821)	(212,594)
Public works	6,023,259	24,849	586,332	1,615,231	(3,796,847)	-	(3,796,847)	1,253,532
Community development	5,940,884	-	1,293,387	-	(4,647,497)	-	(4,647,497)	(2,920,773)
Interest on long-term debt	407,776	-	-	-	(407,776)	-	(407,776)	(430,540)
Total governmental activities	35,576,794	551,853	5,019,836	1,615,231	(28,389,874)	-	(28,389,874)	(20,084,955)
<b>Business-type activities</b>								
Georgetown Municipal Water & Sewer:								
Administration	1,741,368	-	-	-	-	(1,741,368)	(1,741,368)	(1,594,088)
Water distribution	5,768,980	6,552,845	-	1,115,335	-	1,899,200	1,899,200	1,511,081
Sewer collection and treatment	7,267,083	8,130,947	-	513,247	-	1,377,111	1,377,111	1,316,685
Environmental service:								
Sanitation	2,151,018	2,243,452	-	-	-	92,434	92,434	247,672
Recycling	284,521	20,573	130,008	-	-	(133,940)	(133,940)	(217,553)
Stormwater management	126,724	-	-	-	-	(126,724)	(126,724)	(256,898)
Cemetery operations	390,048	291,262	21,434	-	-	(77,352)	(77,352)	(114,909)
Solid waste management	-	-	-	-	-	-	-	-
Total business-type activities	17,729,742	17,239,079	151,442	1,628,582	-	1,289,361	1,289,361	891,990
<b>Total primary government</b>	<b>\$ 53,306,536</b>	<b>\$ 17,790,932</b>	<b>\$ 5,171,278</b>	<b>\$ 3,243,813</b>	<b>(28,389,874)</b>	<b>1,289,361</b>	<b>(27,100,513)</b>	<b>(19,192,965)</b>
General revenue								
Property and other local taxes					2,775,201	-	2,775,201	2,544,997
Occupational licenses					16,757,807	-	16,757,807	14,416,268
Insurance premium					3,628,413	-	3,628,413	3,338,296
Licenses, fees, and permits					3,160,238	-	3,160,238	3,067,393
Fines and reimbursements					180,117	-	180,117	149,609
Telecommunications excise tax					-	-	-	-
Interest income					111,998	25,474	137,472	314,237
Miscellaneous					818,619	-	818,619	74,990
Total general revenues					27,432,393	25,474	27,457,867	23,905,790
Gain (loss) on sale of property					(222,868)	(4,341)	(227,209)	(22,541)
Transfers					(198,446)	198,446	-	-
Total general revenues and transfers					27,011,079	219,579	27,230,658	23,883,249
Change in net position					(1,378,795)	1,508,940	130,145	4,690,284
Net position-beginning					81,803,155	83,388,590	165,191,745	160,501,461
NET POSITION-ENDING					\$ 80,424,360	\$ 84,897,530	\$ 165,321,890	\$ 165,191,745

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

**CITY OF GEORGETOWN, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

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	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	<b>2020 Totals</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,880,269	\$ 3,627,105	\$ 23,507,374	\$ 13,596,494
Restricted cash and cash equivalents	528,298	21,085	549,383	525,468
Investments	1,163,954	444,398	1,608,352	1,517,110
Accounts receivable:				
Taxes and licenses, net	1,715,141	-	1,715,141	1,646,670
Intergovernmental	333,371	297,892	631,263	5,604,209
Other	118,246	482,762	601,008	629,287
Accrued interest	7,513	-	7,513	7,512
Due from other funds	508,696	-	508,696	3,993,125
 Total Assets	 \$ 24,255,488	 \$ 4,873,242	 \$ 29,128,730	 \$ 27,519,875
<b>LIABILITIES</b>				
Accounts payable	\$ 572,311	\$ 196,464	\$ 768,775	\$ 557,624
Accrued payroll liabilities	1,144,913	41,101	1,186,014	740,657
Unearned revenue	137,229	74,206	211,435	201,189
Deposits	379,357	1,988	381,345	457,749
Compensated absences	97,122	-	97,122	83,815
Due to other funds	-	481,240	481,240	3,950,089
 Total Liabilities	 2,330,932	 794,999	 3,125,931	 5,991,123
<b>FUND BALANCE</b>				
Fund Balance				
Restricted	533,887	2,191,078	2,724,965	2,219,870
Assigned	271,591	1,887,165	2,158,756	7,483,321
Committed	-	-	-	-
Unassigned	21,119,078	-	21,119,078	11,825,561
 Total Fund Balance	 21,924,556	 4,078,243	 26,002,799	 21,528,752
 Total Liabilities and Fund Balance	 \$ 24,255,488	 \$ 4,873,242	 \$ 29,128,730	 \$ 27,519,875

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, 2021**

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	<b>2021</b>	<b>2020 Totals</b>
Total Governmental Fund Balance	\$ 26,002,799	\$ 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.	109,624,436	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	(12,882,286)	(14,075,548)
Long-term intergovernmental payable	(90,000)	(105,000)
Long-term compensated absences liability	(712,228)	(614,643)
Accrued interest on long-term debt	(18,287)	(19,270)
Net deferred inflows/outflows related to the long-term net pension and OPEB liability	6,630,095	7,684,003
Long-term net pension and OPEB liability	(48,130,169)	(44,812,302)
Net Position of Governmental Activities	\$ 80,424,360	\$ 81,803,155

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, 2021**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	<b>2020 Totals</b>
<b>REVENUES</b>				
Taxes	\$ 2,775,201	\$ -	\$ 2,775,201	\$ 2,544,997
Licenses and permits	22,517,561	1,401,119	23,918,680	21,191,984
Charges for service	164,631	-	164,631	189,010
Fines	180,117	-	180,117	149,609
Intergovernmental	1,961,481	3,522,514	5,483,995	10,920,402
Investment income	17,345	94,653	111,998	265,934
Other revenue	79,324	739,295	818,619	881,474
Total Revenues	<u>27,695,660</u>	<u>5,757,581</u>	<u>33,453,241</u>	<u>36,143,410</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,564,325	48,790	1,613,115	1,608,851
City Council	173,258	-	173,258	166,603
City Clerk	217,746	-	217,746	209,325
Police	4,713,698	1,932,105	6,645,803	6,283,606
Fire	5,468,974	397,983	5,866,957	5,577,397
Telecommunications	-	1,785,367	1,785,367	1,594,112
Building inspection	540,751	-	540,751	505,803
Codes enforcement	222,940	-	222,940	285,323
Public works	1,253,771	694,630	1,948,401	1,745,545
Community development	5,523,993	416,891	5,940,884	5,881,651
Utilities	771,589	-	771,589	801,649
Capital outlay	426,430	1,328,621	1,755,051	9,474,537
Debt service	1,605,755	70,445	1,676,200	1,658,389
Total Expenditures	<u>22,483,230</u>	<u>6,674,832</u>	<u>29,158,062</u>	<u>35,792,791</u>
Excess of Revenues Over (Under) Expenditures	5,212,430	(917,251)	4,295,179	350,619
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	74,179	-	74,179	366,491
Proceeds from sale of capital assets	10,853	235,435	246,288	137,747
Transfers in (out)	(516,634)	375,035	(141,599)	(281,422)
Net change in fund balance	4,780,828	(306,781)	4,474,047	573,435
Fund Balance, beginning of year	<u>17,143,728</u>	<u>4,385,024</u>	<u>21,528,752</u>	<u>20,955,317</u>
<b>Fund Balance, end of year</b>	<u>\$ 21,924,556</u>	<u>\$ 4,078,243</u>	<u>\$ 26,002,799</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, 2021**

	<u>2021</u>	<u>2020 Totals</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 4,474,047	\$ 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.	1,755,051	9,474,537
Net transfer of capital assets to/from proprietary fund	(56,847)	-
Depreciation expense is reported in the statement of activities to recognize the cost of capital assets used to provide programs and services.	(4,972,848)	(4,462,219)
Gain (loss) on sale of assets do not provide current financial resources but are reported in the statement of activities.	(222,868)	(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.	(246,288)	(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.	(74,179)	(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.	(97,585)	(27,704)
Donated land and streets are not recorded in the fund financial statements.	1,151,072	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.	1,274,673	1,231,871
Amortization of bond premium	7,768	7,768
Change in net pension and OPEB liabilities	(4,371,774)	(5,815,810)
Adjustment in accrued interest on long-term debt	983	3,208
Change in Net Position of Governmental Activities	<u>\$ (1,378,795)</u>	<u>\$ 3,466,409</u>

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

**CITY OF GEORGETOWN, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2020 Totals
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 652,305	\$ 1,110,525	\$ -	\$ 23,431	\$ 1,786,261	\$ 1,361,608
Accounts receivable						
Customer, net of allowance	1,821,285	184,832	-	18,845	2,024,962	1,830,578
Intergovernmental	-	27,000	-	23,437	50,437	58,629
Prepaid expenses	40,893	-	-	-	40,893	25,451
Total current assets	<u>2,514,483</u>	<u>1,322,357</u>	<u>-</u>	<u>65,713</u>	<u>3,902,553</u>	<u>3,276,266</u>
Noncurrent assets						
Restricted cash and cash equivalents	4,625,122	-	-	-	4,625,122	2,022,937
Restricted investments	1,460,792	-	27,455	-	1,488,247	1,466,460
Accrued interest receivable	3,166	-	-	-	3,166	8,885
Capital assets						
Construction in progress	5,442,836	-	-	-	5,442,836	2,178,069
Land and easements	858,687	9,000	2,427,043	33,142	3,327,872	3,327,872
Buildings and improvements	11,089,491	211,593	-	412,707	11,713,791	11,866,990
Utility plants in service	166,582,341	-	-	-	166,582,341	163,488,428
Vehicles and equipment	2,354,972	2,516,527	-	266,302	5,137,801	5,054,030
Less accumulated depreciation	<u>(88,979,670)</u>	<u>(1,538,247)</u>	<u>-</u>	<u>(257,688)</u>	<u>(90,775,605)</u>	<u>(86,573,342)</u>
Total noncurrent assets	<u>103,437,737</u>	<u>1,198,873</u>	<u>2,454,498</u>	<u>454,463</u>	<u>107,545,571</u>	<u>102,840,329</u>
Total assets	<u>105,952,220</u>	<u>2,521,230</u>	<u>2,454,498</u>	<u>520,176</u>	<u>111,448,124</u>	<u>106,116,595</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows - pension	1,631,643	335,019	-	44,112	2,010,774	2,294,797
Deferred outflows - OPEB	1,414,605	293,134	-	38,597	1,746,336	1,070,587
Defeasance on refunding	<u>3,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,253</u>	<u>4,698</u>
Total deferred outflows of resources	<u>3,049,501</u>	<u>628,153</u>	<u>-</u>	<u>82,709</u>	<u>3,760,363</u>	<u>3,370,082</u>
Total assets and deferred outflows of resources	<u>\$ 109,001,721</u>	<u>\$ 3,149,383</u>	<u>\$ 2,454,498</u>	<u>\$ 602,885</u>	<u>\$ 115,208,487</u>	<u>\$ 109,486,677</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 1,188,610	\$ 72,294	\$ -	\$ 975	\$ 1,261,879	\$ 111,233
Accrued liabilities	1,205,579	23,574	-	3,271	1,232,424	893,002
Contracts payable	243,503	-	-	-	243,503	120,501
Compensated absences	85,993	5,876	-	2,106	93,975	80,403
Line of credit payable	-	-	-	-	-	21,088
Interfund payable	-	-	27,456	-	27,456	43,036
Accrued interest payable	23,214	-	-	-	23,214	25,257
Current portion of bonds, notes, and loans payable	935,000	-	-	-	935,000	909,000
Current portion of capital lease obligations	-	25,065	-	8,974	34,039	33,276
Customer deposits	<u>283,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,883</u>	<u>269,125</u>
Total current liabilities	<u>3,965,782</u>	<u>126,809</u>	<u>27,456</u>	<u>15,326</u>	<u>4,135,373</u>	<u>2,505,921</u>
Long-term liabilities						
Compensated absences	742,934	43,090	-	15,442	801,466	730,068
Bond anticipation note	3,152,760	-	-	-	3,152,760	1,315,563
Bonds, notes, and loans payable	5,977,076	-	-	-	5,977,076	6,914,563
Capital lease	-	34,814	-	22,371	57,185	93,014
Net pension liability	9,585,326	1,956,243	-	257,580	11,799,149	10,804,944
Net OPEB liability	<u>3,016,848</u>	<u>615,713</u>	<u>-</u>	<u>81,072</u>	<u>3,713,633</u>	<u>2,583,331</u>
Total long-term liabilities	<u>22,474,944</u>	<u>2,649,860</u>	<u>-</u>	<u>376,465</u>	<u>25,501,269</u>	<u>22,441,483</u>
Total liabilities	<u>26,440,726</u>	<u>2,776,669</u>	<u>27,456</u>	<u>391,791</u>	<u>29,636,642</u>	<u>24,947,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pension	1,143	20,911	-	2,753	24,807	233,564
Deferred inflows - OPEB	<u>520,997</u>	<u>113,559</u>	<u>-</u>	<u>14,952</u>	<u>649,508</u>	<u>917,119</u>
Total deferred inflows of resources	<u>522,140</u>	<u>134,470</u>	<u>-</u>	<u>17,705</u>	<u>674,315</u>	<u>1,150,683</u>
<b>NET POSITION</b>						
Net investment in capital assets	90,436,581	1,138,994	2,427,043	423,118	94,425,736	91,371,106
Restricted for debt service	5,781,983	-	-	-	5,781,983	3,176,445
Restricted for other purposes	-	-	27,455	-	27,455	27,455
Unrestricted	<u>(14,179,709)</u>	<u>(900,750)</u>	<u>(27,456)</u>	<u>(229,729)</u>	<u>(15,337,644)</u>	<u>(11,186,416)</u>
Total net position	<u>82,038,855</u>	<u>238,244</u>	<u>2,427,042</u>	<u>193,389</u>	<u>84,897,530</u>	<u>83,388,590</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 109,001,721</u>	<u>\$ 3,149,383</u>	<u>\$ 2,454,498</u>	<u>\$ 602,885</u>	<u>\$ 115,208,487</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, 2021**

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2020 Totals
<b>Operating revenues</b>						
Water revenue	\$ 6,143,781	\$ -	\$ -	\$ -	\$ 6,143,781	\$ 5,451,965
Sewer revenue	6,171,674	-	-	-	6,171,674	5,426,972
Sanitation revenue	-	2,243,452	-	-	2,243,452	2,220,357
Recycling revenue	-	20,573	-	-	20,573	15,309
Cemetery revenue	-	-	-	291,262	291,262	266,392
Intergovernmental	-	130,008	-	21,434	151,442	158,748
Connection fees	940,118	-	-	-	940,118	933,069
Commercial user fees	1,100,261	-	-	-	1,100,261	1,148,600
Miscellaneous	266,105	-	-	-	266,105	264,574
Penalties	61,853	-	-	-	61,853	78,856
	<u>14,683,792</u>	<u>2,394,033</u>	<u>-</u>	<u>312,696</u>	<u>17,390,521</u>	<u>15,964,842</u>
<b>Operating expenses</b>						
Administrative	1,659,829	-	-	-	1,659,829	1,511,883
Water	4,078,986	-	-	-	4,078,986	4,312,021
Wastewater	4,609,494	-	-	-	4,609,494	4,563,147
Sanitation	-	1,964,225	-	-	1,964,225	1,784,377
Recycling	-	246,727	-	-	246,727	314,909
Stormwater	-	126,724	-	-	126,724	256,898
Landfill	-	-	-	-	-	-
Cemetery	-	-	-	342,171	342,171	368,643
Depreciation	4,142,162	224,587	-	47,877	4,414,626	4,285,157
	<u>14,490,471</u>	<u>2,562,263</u>	<u>-</u>	<u>390,048</u>	<u>17,442,782</u>	<u>17,397,035</u>
Operating income (loss)	<u>193,321</u>	<u>(168,230)</u>	<u>-</u>	<u>(77,352)</u>	<u>(52,261)</u>	<u>(1,432,193)</u>
<b>Nonoperating revenues (expenses)</b>						
Interest income	24,780	694	-	-	25,474	48,303
Interest expense	(288,001)	-	-	-	(288,001)	(278,404)
Amortization expense	1,041	-	-	-	1,041	1,041
Gain (loss) on disposal of capital assets	(2,049)	-	-	(2,292)	(4,341)	2,160
	<u>(264,229)</u>	<u>694</u>	<u>-</u>	<u>(2,292)</u>	<u>(265,827)</u>	<u>(226,900)</u>
Income (loss) before capital contributions and transfers	(70,908)	(167,536)	-	(79,644)	(318,088)	(1,659,093)
Capital contributed						
Developer contributions	1,115,335	-	-	-	1,115,335	1,547,352
Commercial user contributions	513,247	-	-	-	513,247	1,054,194
Transfers in (out)	56,847	112,106	-	29,493	198,446	281,422
<b>Change in net position</b>	1,614,521	(55,430)	-	(50,151)	1,508,940	1,223,875
Net position at beginning of year	<u>80,424,334</u>	<u>293,674</u>	<u>2,427,042</u>	<u>243,540</u>	<u>83,388,590</u>	<u>82,164,715</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 82,038,855</u>	<u>\$ 238,244</u>	<u>\$ 2,427,042</u>	<u>\$ 193,389</u>	<u>\$ 84,897,530</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, 2021

	Municipal Water & Sewer Funds	Environmental Services Fund	Landfill Fund	Cemetery Fund	Totals	2020 Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 14,214,042	\$ 2,380,661	\$ -	\$ 358,279	\$ 16,952,982	\$ 15,636,293
Payments to suppliers	(2,732,596)	(903,043)	-	(184,772)	(3,820,411)	(5,340,704)
Payments for employee services and benefits	(5,136,089)	(1,234,086)	-	(154,595)	(6,524,770)	(6,607,021)
Other receipts (payments)	266,105	-	-	-	266,105	264,574
Net cash provided (used) by operating activities	<u>6,611,462</u>	<u>243,532</u>	<u>-</u>	<u>18,912</u>	<u>6,873,906</u>	<u>3,953,142</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in (out)	-	112,106	-	13,914	126,020	262,082
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(6,352,807)	-	-	-	(6,352,807)	(5,196,730)
Capital contributions	1,781,678	-	-	-	1,781,678	2,601,546
Proceeds from disposal of capital assets	6,636	-	-	-	6,636	2,160
Proceeds from debt issuance	1,837,196	-	-	-	1,837,196	1,315,563
Principal paid on capital debt	(909,000)	(25,670)	-	(9,395)	(944,065)	(922,065)
Net draws on line of credit	(21,088)	-	-	-	(21,088)	(448,989)
Interest paid on capital debt	(290,044)	-	-	-	(290,044)	(336,722)
Net cash (used) by capital and related financing activities	<u>(3,947,429)</u>	<u>(25,670)</u>	<u>-</u>	<u>(9,395)</u>	<u>(3,982,494)</u>	<u>(2,985,237)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments	-	-	-	-	-	-
Interest income	30,499	694	-	-	31,193	44,025
Interest income reinvested in restricted investments	(21,787)	-	-	-	(21,787)	(20,713)
Net cash provided (used) by investing activities	<u>8,712</u>	<u>694</u>	<u>-</u>	<u>-</u>	<u>9,406</u>	<u>23,312</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,672,745</b>	<b>330,662</b>	<b>-</b>	<b>23,431</b>	<b>3,026,838</b>	<b>1,253,299</b>
Cash and cash equivalents at beginning of year	<u>2,604,682</u>	<u>779,863</u>	<u>-</u>	<u>-</u>	<u>3,384,545</u>	<u>2,131,246</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,277,427</b>	<b>\$ 1,110,525</b>	<b>\$ -</b>	<b>\$ 23,431</b>	<b>\$ 6,411,383</b>	<b>\$ 3,384,545</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 193,321	\$ (168,230)	\$ -	\$ (77,352)	\$ (52,261)	\$ (1,432,193)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	4,142,162	224,587	-	47,877	4,414,626	4,285,157
Net OPEB liability	167,483	21,140	-	3,464	192,087	22,376
Net pension liability	917,594	148,414	-	(1,683)	1,064,325	1,107,890
Change in assets and liabilities:						
Receivables, net	(218,403)	(13,372)	-	45,583	(186,192)	(66,185)
Prepaid expense	(15,442)	-	-	-	(15,442)	16,467
Accounts and other payables	1,409,989	30,450	-	558	1,440,997	30,002
Accrued expenses	-	543	-	465	1,008	(12,582)
Customer deposits	14,758	-	-	-	14,758	2,210
Net cash provided (used) by operating activities	<u>\$ 6,611,462</u>	<u>\$ 243,532</u>	<u>\$ -</u>	<u>\$ 18,912</u>	<u>\$ 6,873,906</u>	<u>\$ 3,953,142</u>
<b>Reconciliation of total cash and cash equivalents:</b>						
Current assets - cash and cash equivalents	\$ 652,305	\$ 1,110,525	\$ -	\$ 23,431	\$ 1,786,261	\$ 1,361,608
Restricted cash	4,625,122	-	-	-	4,625,122	2,022,937
Total cash and cash equivalents	<u>\$ 5,277,427</u>	<u>\$ 1,110,525</u>	<u>\$ -</u>	<u>\$ 23,431</u>	<u>\$ 6,411,383</u>	<u>\$ 3,384,545</u>
<b>Supplemental disclosures of cash flow information:</b>						
<b>Noncash capital and related financing activities:</b>						
Net change in capital assets payable	\$ 256,035	\$ -	\$ -	\$ -	\$ 256,035	\$ (565,359)
Amortization expense	\$ (1,041)	\$ -	\$ -	\$ -	\$ (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, 2021**

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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, 2021

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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.

**Nonmajor Funds:**

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 **911 Fees Fund** is a special revenue fund that accounts for the receipts and disbursements of funds related to the operation of the Georgetown-Scott County 911 Center. Revenue sources include the City's 911 service fee, state CMRS Board revenue, and funding from the Scott County Fiscal Court per the interlocal agreement for operating the center.

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

The **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.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2021**

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

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

**Fund Financial Statements (continued)**

**Nonmajor Funds (continued):**

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.

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, 2021

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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 2020. Liens have been filed on these properties for all unpaid property taxes. At June 30, 2021, the allowance for doubtful accounts totaled \$197,591 for governmental activities and \$87,709 for business-type activities. The business-type activities allowance consists of \$77,709 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, 2021**

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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 capital 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 debt service 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, 2021**

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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 January 10, 2022, 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, 2021, have not been evaluated by the City.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

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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, 2021, the City had \$34,753,452 in financial institutions, of which \$2,719,395 was insured by FDIC insurance, SIPC insurance, or secured by U.S. government obligations. The City had \$34,495,962 in collateral pledged in the City's name to secure the remaining deposits. The City had uncollateralized deposits with Central Bank totaling \$567,887 at June 30, 2021 but were corrected and fully secured by July 1, 2021.

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, 2021, 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	\$ 1,163,954	\$ 1,163,954	\$ -
Mutual funds	396,704	396,704	-
Common stock	<u>47,694</u>	<u>47,694</u>	-
Total governmental activities	<u>\$ 1,608,352</u>	<u>\$ 1,608,352</u>	<u>\$ -</u>
Business-type activities:			
Certificates of deposit	<u>\$ 1,488,247</u>	<u>\$ 1,488,247</u>	<u>\$ -</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, 2021

**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, 2021:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 396,704	\$ 396,704	\$ -	\$ -
Common stock	<u>47,694</u>	<u>47,694</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 444,398</u>	<u>\$ 444,398</u>	<u>\$ -</u>	<u>\$ -</u>

**3. CAPITAL ASSETS**

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

	July 1, 2020 Balance	Additions	Retirements	June 30, 2021 Balance
Governmental activities:				
Capital assets not depreciated				
Land	\$ 10,658,779	\$ 330,447	\$ (233,892)	\$ 10,755,334
Construction in progress	<u>10,974,522</u>	<u>1,263,775</u>	<u>(10,455,232)</u>	<u>1,783,065</u>
Total	<u>21,633,301</u>	<u>1,594,222</u>	<u>(10,689,124)</u>	<u>12,538,399</u>
Capital assets being depreciated				
Land improvements	31,270	-	-	31,270
Buildings	29,622,372	105,288	-	29,727,660
Vehicles	7,974,358	104,216	(545,766)	7,532,808
Equipment	6,814,343	10,209,982	(1,788,152)	15,236,173
Infrastructure	<u>114,130,499</u>	<u>1,290,797</u>	<u>-</u>	<u>115,421,296</u>
Total	<u>158,572,842</u>	<u>11,710,283</u>	<u>(2,333,918)</u>	<u>167,949,207</u>
Accumulated depreciation	<u>(67,988,980)</u>	<u>(4,972,848)</u>	<u>2,098,658</u>	<u>(70,863,170)</u>
Governmental activities capital assets, net	<u>\$ 112,217,163</u>	<u>\$ 8,331,657</u>	<u>\$ (10,924,384)</u>	<u>\$ 109,624,436</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

**3. CAPITAL ASSETS (CONTINUED)**

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</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>2,178,069</u>	<u>4,447,909</u>	<u>(1,183,142)</u>	<u>5,442,836</u>
Total	<u>5,505,941</u>	<u>4,447,909</u>	<u>(1,183,142)</u>	<u>8,770,708</u>
Capital assets being depreciated				
Land improvements	11,937	-	-	11,937
Buildings	10,197,543	8,639	(249,798)	9,956,384
Vehicles	4,026,947	74,900	(33,990)	4,067,857
Equipment	2,684,592	157,939	(27,117)	2,815,414
Utility plant	<u>163,488,429</u>	<u>3,093,912</u>	<u>-</u>	<u>166,582,341</u>
Total	<u>180,409,448</u>	<u>3,335,390</u>	<u>(310,905)</u>	<u>183,433,933</u>
Accumulated depreciation	<u>(86,573,342)</u>	<u>(4,414,627)</u>	<u>212,364</u>	<u>(90,775,605)</u>
Business-type activities capital assets, net	<u>\$ 99,342,047</u>	<u>\$ 3,368,672</u>	<u>\$ (1,281,683)</u>	<u>\$ 101,429,036</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 463,925
Public Protection	
Police	643,045
Fire Protection	409,744
Telecommunications	205,860
Code Enforcement	12,042
Building Inspection	43,255
Public Works	<u>3,194,977</u>
	<u>\$ 4,972,848</u>

**4. 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. Lease obligations where title transfers to the City are classified in the financial statements as notes payable.

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. These lease obligations are classified as capital leases in the financial statements.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

**5. 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, notes payable, capital leases, and compensated absences.

20-year note payable 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 note expires May 2025, at which time title to the leasehold improvements is transferred to the City.	\$ 273,864
20-year note payable for the construction of a swimming pool and aquatics center. Interest is based on a variable rate equal to LIBOR plus 1.50%. The note expires March 2026, at which time the title to the pool and aquatics center is transferred to the City.	881,977
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.	6,920,000
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.	3,510,000
Note payable 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.	65,401
Numerous capital leases for vehicles leased under a fleet management agreement with Enterprise during 2021, 2020, 2019, and 2018. Leases are for 48-60 months and payments are due monthly.	1,130,060
Bond premiums	<u>100,984</u>
Total governmental activity debt	<u>\$ 12,882,286</u>

The changes in long-term liabilities, excluding net pension and OPEB liability, during the fiscal year ended June 30, 2021, are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Direct placement - notes payable	\$ 1,472,872	\$ -	\$ 251,630	\$ 1,221,242	\$ 261,730
Capital leases - vehicles	1,498,924	74,179	443,043	1,130,060	507,173
Bonds payable	10,995,000	-	565,000	10,430,000	570,000
Intergovernmental payable	105,000	-	15,000	90,000	15,000
Compensated absences	<u>698,458</u>	<u>110,892</u>	<u>-</u>	<u>809,350</u>	<u>97,122</u>
Total governmental	<u>\$ 14,770,254</u>	<u>\$ 185,071</u>	<u>\$ 1,274,673</u>	<u>\$ 13,680,652</u>	<u>\$ 1,451,025</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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

**Governmental Activities (continued)**

The annual debt service requirements to maturity, including principal, interest and fees for capital leases, notes payable, and bonds payable as of June 30, 2021, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Total</b>
2022	\$ 1,338,903	\$ 404,908	\$ 5,210	\$ 1,749,021
2023	1,271,215	348,458	4,403	1,624,076
2024	1,036,128	300,356	3,569	1,340,053
2025	870,193	273,680	2,642	1,146,515
2026	859,864	254,248	1,001	1,115,113
2027-2031	4,735,000	908,874	-	5,643,874
2032-2035	<u>2,670,000</u>	<u>166,118</u>	<u>-</u>	<u>2,836,118</u>
	<u>\$ 12,781,303</u>	<u>\$ 2,656,642</u>	<u>\$ 16,825</u>	<u>\$ 15,454,770</u>

**Business-type Activities**

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

	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Revenue bonds:			
Water and Sewer, Series 2013A	2.00-4.250%	2033	\$ 3,205,000
Water and Sewer, Series 2013B	1.00-3.000%	2023	565,000
Water and Sewer, Series 2018A	2.800%	2027	3,113,000
Bond premium			<u>29,076</u>
Total revenue bonds			<u>6,912,076</u>
Other long-term obligations:			
Capital leases - vehicles			91,224
Bond anticipation note			3,152,760
Compensated absences – GMWSS			828,927
Compensated absences – Environmental Services			48,966
Compensated absences – Cemetery Operations			<u>17,548</u>
Total other long-term obligations			<u>4,139,425</u>
Total obligations			<u>\$ 11,051,501</u>
Less current portion of revenue bonds			935,000
Less current portion of capital leases			34,039
Less current portion of compensated absences			<u>93,975</u>
Total long-term liabilities			<u>\$ 9,988,487</u>



**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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

**Business-type Activities (continued)**

The changes in long-term liabilities, excluding net pension and OPEB liability, during 2021 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	\$ 7,792,000	\$ -	\$ 909,000	\$ 6,883,000	\$ 935,000
Line of credit	21,088	-	21,088	-	-
Bond anticipation note	1,315,563	1,837,197	-	3,152,760	-
Capital leases - vehicles	126,290	-	35,065	91,225	34,039
Compensated absences	<u>810,471</u>	<u>84,970</u>	<u>-</u>	<u>895,441</u>	<u>93,975</u>
Total Business-type	<u>\$10,065,412</u>	<u>\$ 1,922,167</u>	<u>\$ 965,153</u>	<u>\$ 11,022,426</u>	<u>\$ 1,063,014</u>

The annual debt service requirements to maturity, including principal and interest for bonds and capital leases as of June 30, 2021, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 969,039	\$ 233,500	\$ 1,202,539
2023	1,002,357	204,253	1,206,610
2024	703,829	173,007	876,836
2025	713,000	151,882	864,882
2026	737,000	130,238	867,238
2027-2031	2,209,000	334,402	2,543,402
2032-2033	<u>640,000</u>	<u>41,013</u>	<u>681,013</u>
	<u>\$ 6,974,225</u>	<u>\$ 1,268,295</u>	<u>\$ 8,242,520</u>

**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.

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.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2021**

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

**Business-type Activities (continued)**

**Description of Bonds (continued)**

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 \$2,406,877 at June 30, 2021. This reserve was fully funded at June 30, 2021.

*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 \$3,349,375 at June 30, 2021.

**Description of Capital Leases**

The City of Georgetown has entered into a total of five capital leases for vehicles leased under a fleet management agreement with Enterprise during 2019 and 2018. Leases are for 60 months and payments are due monthly.

**6. 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, 2021, the intergovernmental payable balance was \$90,000.

**7. 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, 2021, for Revenue Bonds and for Industrial Bonds is not available.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2021**

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**8. 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, 2021, 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, 2021, 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 9. Plan members' contributions were allocated 19.30% to the pension trust for non-hazardous job classifications and 30.06% 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, 2021, the City contributed \$1,367,145 or 100% of the required contribution for non-hazardous job classifications, and \$1,743,836, for the year ended June 30, 2021, 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, 2021**

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**8. RETIREMENT PLAN (CONTINUED)**

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

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old and 4 years service At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age to equal 87+ Not available

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2021, 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>
<u>\$ 48,589,304</u>	<u>\$ 19,852,737</u>	<u>\$ 28,736,567</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020, was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.2588%	0.9531%

The proportionate share at June 30, 2020 relative to June 30, 2019 decreased for non-hazardous by .0009% and decreased for hazardous by .0625%.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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**8. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2021, the City recognized pension expense of \$7,595,895. At June 30, 2021, 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	\$ 1,386,298	\$ -
Changes of assumptions	1,865,068	-
Net difference between projected and actual earnings on Plan investments	1,144,157	-
Changes in proportion and differences between City contributions and proportionate share of contributions	318,974	1,283,338
City contributions subsequent to the measurement date	<u>3,068,548</u>	<u>-</u>
Total	<u>\$ 7,783,045</u>	<u>\$ 1,283,338</u>

The \$3,068,548 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, 2022. Contributions subsequent to the measurement date are reduced by retired re-employed employer contributions of \$42,433. 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>		
2022	\$	1,765,808
2023	\$	927,494
2024	\$	349,721
2025	\$	388,136

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, actuarial valuations were 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 2020. 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, 2021**

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**8. RETIREMENT PLAN (CONTINUED)**

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25%. 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 23-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%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

**8. RETIREMENT PLAN (CONTINUED)**

	Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability		Discount rate	City's proportionate share of net pension liability	
1% decrease	5.25%	\$	24,482,744	5.25%	\$	35,514,305
Current discount rate	6.25%	\$	19,852,737	6.25%	\$	28,736,567
1% increase	7.25%	\$	16,018,914	7.25%	\$	23,204,142

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 8, 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 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2021, 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, 2021, the City contributed \$337,182, or 100% of the required contribution for non-hazardous job classifications, and \$552,273, or 100% of the required contribution for hazardous job classifications.

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

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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

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

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

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2021, 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>\$ 15,053,647</u>	<u>\$ 6,248,437</u>	<u>\$ 8,805,210</u>

The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 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, 2020 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
0.2588%	0.9528%

The proportionate share at June 30, 2020 relative to June 30, 2019 for non-hazardous decreased by .0009% and hazardous decreased by .0626%.

For the year ended June 30, 2021, the City recognized OPEB expense of \$2,221,799. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 1,346,142	\$ 1,924,095
Changes of assumptions	2,523,324	14,722
Net difference between projected and actual earnings on Plan investments	598,545	-
Changes in proportion and differences between City contributions and proportionate share of contributions	133,148	522,480
City contributions subsequent to the measurement date	<u>1,073,321</u>	<u>-</u>
Total	<u>\$ 5,674,480</u>	<u>\$ 2,461,297</u>

The \$1,073,321 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, 2022. This includes adjustments of \$79,310 for the nonhazardous implicit subsidy and \$41,377 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>	
2022	\$ 599,618
2023	\$ 460,258
2024	\$ 541,889
2025	\$ 494,920
2026	\$ 43,177

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

**Non-hazardous**

Inflation	2.30%
Salary increases	3.30 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 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

**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
Healthcare trend	

Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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

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, 2019, 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, 2019) to the plan's fiscal year ending June 30, 2020.

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.34% and 5.30% 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 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

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

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

	Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.34%	\$ 8,027,406	4.30%	\$ 11,952,843		
Current discount rate	5.34%	\$ 6,248,437	5.30%	\$ 8,805,210		
1% increase	6.34%	\$ 4,787,309	6.30%	\$ 6,268,857		

*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	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease		\$ 4,837,851		\$ 6,292,462
Current trend rate		\$ 6,248,437		\$ 8,805,210
1% increase		\$ 7,960,214		\$ 11,894,419

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

**10. 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, 2021, were as follows:

Fund	Receivable	Payable
General	\$ 508,696	\$ -
State & Federal Grants	-	95,000
Landfill	-	27,456
Alcohol	-	386,240
Total	<u>\$ 508,696</u>	<u>\$ 508,696</u>

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended June 30, 2021

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**11. 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, 2021, fund balances are composed of the following:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Restricted:			
MAP fund	\$ -	\$ 843,400	\$ 843,400
LGEA fund	-	83,187	83,187
Drug forfeiture	-	244,561	244,561
Cemetery perpetual care	-	736,652	736,652
911 fees	-	160,825	160,825
Business Park State & Federal grants fund	-	122,355	122,355
Police evidence	88,617	-	88,617
Gus Wolf reserve	5,589	-	5,589
Medical escrow	46,714	-	46,714
Bond account	2,405	-	2,405
Street light deposits	<u>390,562</u>	-	<u>390,562</u>
Total Restricted	<u>533,887</u>	<u>2,191,078</u>	<u>2,724,965</u>
Assigned:			
Alcohol-related operations	-	439	439
Capital projects 2021 budget allocations	<u>253,994</u> <u>17,597</u>	<u>1,886,726</u> <u>-</u>	<u>2,140,720</u> <u>17,597</u>
Total Assigned	<u>271,591</u>	<u>1,887,165</u>	<u>2,158,756</u>
Unassigned	<u>21,119,078</u>	-	<u>21,119,078</u>
Total fund balances	<u>\$ 21,924,556</u>	<u>\$ 4,078,243</u>	<u>\$ 26,002,799</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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**12. TRANSFERS**

The following operating transfers were made during the year:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -	\$ 516,634
Cemetery Perpetual Care	-	6,056
Environmental Services	112,106	-
Business Park	70,445	-
911 Fees	310,646	-
Cemetery Operations	<u>29,493</u>	<u>-</u>
Total	<u>\$ 522,690</u>	<u>\$ 522,690</u>

The following capital asset transfers were made during the year:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
GMWSS	\$ -	\$ 56,848
Governmental activities	<u>56,848</u>	<u>-</u>
Total	<u>\$ 56,848</u>	<u>\$ 56,848</u>

The transfers 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 Business Park Fund was made to provide funds to cover debt service.
- The transfer to GMWSS was made for the net transfer of capital assets.
- The transfer to the 911 Fees Fund was made to cover expenses incurred before the 911 fee revenue was collected.

**13. 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, 2021

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**13. RELATED ORGANIZATIONS (CONTINUED)**

The City has contributed the following amounts to these organizations:

Georgetown/Scott County Parks & Recreation	\$	1,324,772
Georgetown/Scott County Planning & Zoning		524,648
Georgetown/Scott County Ambulance		2,332,594
Georgetown/Scott County Disaster & Emergency Services		141,185
Georgetown/Scott County Senior Citizens		97,000
Georgetown/Scott County Electrical Inspection		151,920
Georgetown/Scott County Animal Shelter		187,476
Georgetown/Scott County E911 Billing		18,783
Georgetown/Scott County Revenue Commission		319,439
Georgetown/Scott County Airport		13,500
Scott United		40,000
Georgetown/Scott County Tourism		40,000
Scott County Parks Director		<u>22,971</u>
Total Contributions	\$	<u>5,214,288</u>

**14. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2021:

Governmental activities:

General fund

Police ammunition	\$	23,999
Police cameras		7,497
Fire ballistic armor		<u>36,150</u>
Total	\$	<u>67,646</u>

Capital projects fund

South sewer extension construction	\$	20,664,758
South sewer extension Contract 1		695,947
South sewer extension Contract 2		77,292
KIA loan administration		<u>47,500</u>
Total	\$	<u>21,485,497</u>

Federal & state grants fund

CDBG Boston Scattered Site Housing Project	\$	20,000
CDBG grant administration		30,000
AHTF grant application		<u>10,000</u>
Total	\$	<u>60,000</u>

**CITY OF GEORGETOWN, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021**

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

Business-type activities:

Environmental services	
Project/construction	\$ <u>185,366</u>
Georgetown Municipal Water and Sewer Service	
WWTP No. 1 plant expansion	\$ 48,591,462
Collection building – phase II	49,263
Belt press replacement	1,140,958
Oxidation ditch splitter box	24,070
Sludge processing upgrades	<u>38,400</u>
Total	\$ <u>49,844,153</u>

Georgetown Municipal Water and Sewer Service is reimbursing the City for payments made for the South Sewer Extension Contract 2 shown in the Capital Projects Fund above.

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, 2021, line of credit had been paid off.

	July 1, 2020	Advances	Payments	June 30, 2021
Line of credit	\$ <u>21,088</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%. The bond anticipation note matures on November 1, 2024. At June 30, 2021, there was a balance of \$3,152,760 included in noncurrent liabilities.

	July 1, 2020	Advances	Payments	June 30, 2021
Bond anticipation note	\$ <u>1,315,563</u>	\$ <u>1,837,197</u>	\$ _____	\$ <u>3,152,760</u>

**15. ECONOMIC DEPENDENCE**

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,092,314 (36.00%) of the City's license fees and permit revenue and \$110,011 (4.00%) of the City's property tax revenue. The total amount paid by these companies represents 30.00% of the General Fund revenues. In addition, they provided 8.3% of the operating revenue of GMWSS. Ten other customers accounted for 3.3% of the operating revenue of GMWSS.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the year ended June 30, 2021**

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**16. CONTRIBUTED ASSETS**

Contributed assets totaling \$1,628,582 have been reported in the accompanying statement of revenues, expenses, and changes in net position for business-type activities. These contributions include \$1,115,335 of contributions made by various state and local governments and developers. In addition, \$513,247 of capital contributions was received from a commercial customer. These funds were used to construct various water and sewer projects.

Contributed assets totaling \$1,151,072 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.

**17. 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.

The City has established medical self-insurance. Employees may elect to participate in this program or certain other medical insurance programs offered by the City. Under this program the first \$80,000 of a participants' medical claims are paid by the City. The City purchases insurance for claims in excess of \$80,000. The City also provides insurance for aggregate claims over \$1,000,000. All funds of the City, except GMWSS, participate in the program and make payments towards the medical self-insurance based on historical estimates of the amounts needed to pay prior and current year claims.

**18. 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. The City has had several agreements which have been granted final approval by the state, but none of those inducements have been 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 \$18,558 in occupational license fees to ICI during 2021.

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. On September 14, 2020, TMMK proposed a modified recovery schedule reducing total annual payments to \$1,200,000 and distributing payments more evenly throughout the remaining life of the inducement. The City abated \$1,200,000 in occupational license fees to TMMK during 2021. 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, 2021**

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**19. COVID-19 PANDEMIC**

Since 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.

**20. RECLASSIFICATIONS**

In some instances, 2020 balances have been reclassified from the amounts presented in the prior year audited financial statements. Reclassifications of prior year balances did not have an impact on net position or fund balance.

Additionally, in some instances, 2021 balances for Georgetown Municipal Water and Sewer Service have been reclassified from the amounts presented in their current year audited financial statements to account for interfund activity between the City and GMWSS. Reclassifications of current year balances did not have an impact on net position.

**21. 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.

The City entered into a \$4.5 million revenue anticipation note (Series 2022) agreement with Stock Yards Bank on December 30, 2021, on behalf of the Water and Sewer Service. The current interest rate is at 1.85%. The revenue anticipation note matures on June 30, 2022.

Following June 30, 2021, the landfill used for the disposal of the City's municipally collected solid waste was ordered to close by the State. The City has since awarded an exclusive solid waste franchise to Republic Services for residential and commercial debris collection. The City anticipates Republic Services to begin collection services on February 1, 2022.

## **SUPPLEMENTARY INFORMATION**

**CITY OF GEORGETOWN, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2021**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 2,351,000	\$ 2,659,185	\$ 2,775,201	\$ 116,016
Licenses and permits	15,468,050	18,779,010	22,517,561	3,738,551
Charges for service	207,220	178,220	164,631	(13,589)
Fines	128,250	121,825	180,117	58,292
Intergovernmental	3,138,248	2,168,743	1,961,481	(207,262)
Investment income	20,000	20,000	17,345	(2,655)
Other revenue	<u>2,000</u>	<u>34,118</u>	<u>79,324</u>	<u>45,206</u>
Total revenues	<u>21,314,768</u>	<u>23,961,101</u>	<u>27,695,660</u>	<u>3,734,559</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,506,791	1,610,841	1,564,325	46,516
City Council	187,435	187,435	173,258	14,177
City Clerk	225,007	226,023	217,746	8,277
Police	5,455,107	5,354,034	4,713,698	640,336
Fire	5,783,327	5,766,161	5,468,974	297,187
Telecommunications	1,606,371	-	-	-
Building inspection	552,349	557,427	540,751	16,676
Code enforcement	320,151	342,691	222,940	119,751
Public works	1,583,376	1,633,926	1,253,771	380,155
Community development	5,614,720	5,629,450	5,523,993	105,457
Utilities	830,000	830,000	771,589	58,411
Capital outlay	563,478	788,377	426,430	361,947
Debt service	<u>1,093,261</u>	<u>1,093,261</u>	<u>1,605,755</u>	<u>(512,494)</u>
Total expenditures	<u>25,321,373</u>	<u>24,019,626</u>	<u>22,483,230</u>	<u>1,536,396</u>
Excess of Revenues over (under) Expenditures	<u>(4,006,605)</u>	<u>(58,525)</u>	<u>5,212,430</u>	<u>5,270,955</u>
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	-	-	74,179	74,179
Property sales	10,000	259,000	10,853	(248,147)
Transfers in (out)	<u>(430,793)</u>	<u>(904,816)</u>	<u>(516,634)</u>	<u>388,182</u>
Total other financing sources (uses)	<u>(420,793)</u>	<u>(645,816)</u>	<u>(431,602)</u>	<u>214,214</u>
Net change in fund balance	(4,427,398)	(704,341)	4,780,828	5,485,169
Fund balance, beginning of year	<u>17,143,728</u>	<u>17,143,728</u>	<u>17,143,728</u>	<u>-</u>
Fund balance, end of year	<u>\$ 12,716,330</u>	<u>\$ 16,439,387</u>	<u>\$ 21,924,556</u>	<u>\$ 5,485,169</u>

**CITY OF GEORGETOWN, KENTUCKY  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS  
Last Eight 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>	<b>2021 (2020)</b>
City's proportion of the net pension liability	0.2400%	0.2400%	0.2415%	0.2431%	0.2476%	0.2540%	0.2597%	0.2588%
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	\$ 19,852,737
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
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%	299.43%
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%	47.81%

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 Eight 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>	<b>2021 (2020)</b>
City's proportion of the net pension liability	0.9560%	0.9560%	0.9899%	0.9970%	1.0405%	1.0142%	1.0156%	0.9531%
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	\$ 28,736,567
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
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%	516.04%
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%	44.11%

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 Nine 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>	<b>2021</b>
Contractually required employer contribution	\$ 660,173	\$ 764,808	\$ 726,520	\$ 726,337	\$ 860,681	\$ 932,925	\$ 1,084,561	\$ 1,312,619	\$ 1,367,145
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>	<u>1,367,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 6,893,026
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%	19.83%

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 Nine 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>	<b>2021</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	\$ 1,743,836
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>	<u>1,743,836</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 5,782,413
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%	30.16%

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 Five 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>	<b>2021 (2020)</b>
City's proportion of the net OPEB liability	0.2431%	0.2476%	0.2540%	0.2597%	0.2588%
City's proportionate share of the net OPEB liability (asset)	\$ 3,904,948	\$ 4,978,451	\$ 4,510,039	\$ 4,367,347	\$ 6,248,437
City's covered employee payroll	\$ 5,848,126	\$ 6,170,633	\$ 6,296,046	\$ 6,685,779	\$ 6,801,138
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%	91.87%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

**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 Five 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>	<b>2021 (2020)</b>
City's proportion of the net OPEB liability	0.9970%	1.0405%	1.0140%	1.0154%	0.9528%
City's proportionate share of the net OPEB liability (asset)	\$ 5,139,655	\$ 8,601,402	\$ 7,231,449	\$ 7,512,559	\$ 8,805,210
City's covered employee payroll	\$ 5,186,243	\$ 5,689,257	\$ 5,654,263	\$ 5,783,611	\$ 5,599,818
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%	157.24%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%

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 Nine 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>	<b>2021</b>
Contractually required employer contribution	\$ 362,520	\$ 286,663	\$ 280,352	\$ 271,353	\$ 291,829	\$ 302,815	\$ 351,714	\$ 323,735	\$ 337,182
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>	<u>337,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 7,083,653
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%	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 Nine 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>	<b>2021</b>
Contractually required employer contribution	\$ 823,543	\$ 676,882	\$ 687,628	\$ 658,134	\$ 531,945	\$ 528,674	\$ 605,586	\$ 533,103	\$ 552,273
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>	<u>552,273</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 5,599,818	\$ 5,801,184
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%	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, 2021**

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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, 2021**

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**2. CERS (Continued)**

Changes of Assumptions

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

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 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, 2017, for both pension and OPEB:

- 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.

**CITY OF GEORGETOWN, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the year ended June 30, 2021**

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**2. CERS (Continued)**

Changes of Assumptions (continued)

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.

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, 2021**

	<b>Business Park Fund</b>	<b>911 Fees Fund</b>	<b>Capital Projects Fund</b>	<b>State &amp; Federal Grants Fund</b>	<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	\$ 1,578,664	\$ 89,574	\$ 577,871	\$ 1,950	\$ 779,458	\$ 83,187	\$ 244,561	\$ 271,840	\$ -	\$ 3,627,105
Restricted cash and cash equivalents	-	-	671	-	-	-	-	20,414	-	21,085
Investments	-	-	-	-	-	-	-	444,398	-	444,398
Accounts receivable:										
Intergovernmental	-	60,320	-	173,630	63,942	-	-	-	-	297,892
Other	-	93,499	-	-	-	-	-	-	389,263	482,762
Due from other funds	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,578,664</b>	<b>\$ 243,393</b>	<b>\$ 578,542</b>	<b>\$ 175,580</b>	<b>\$ 843,400</b>	<b>\$ 83,187</b>	<b>\$ 244,561</b>	<b>\$ 736,652</b>	<b>\$ 389,263</b>	<b>\$ 4,873,242</b>
<b>LIABILITIES</b>										
Accounts payable	\$ 1,200	\$ 41,467	\$ 82,499	\$ 68,714	\$ -	\$ -	\$ -	\$ -	\$ 2,584	\$ 196,464
Accrued liabilities	-	41,101	-	-	-	-	-	-	-	41,101
Deferred revenue	-	-	62,438	11,768	-	-	-	-	-	74,206
Deposits	1,988	-	-	-	-	-	-	-	-	1,988
Due to other funds	-	-	-	95,000	-	-	-	-	386,240	481,240
<b>Total Liabilities</b>	<b>3,188</b>	<b>82,568</b>	<b>144,937</b>	<b>175,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388,824</b>	<b>794,999</b>
<b>FUND BALANCE</b>										
Fund Balance										
Restricted	122,355	160,825	-	98	843,400	83,187	244,561	736,652	-	2,191,078
Assigned	1,453,121	-	433,605	-	-	-	-	-	439	1,887,165
<b>Total Fund Balance</b>	<b>1,575,476</b>	<b>160,825</b>	<b>433,605</b>	<b>98</b>	<b>843,400</b>	<b>83,187</b>	<b>244,561</b>	<b>736,652</b>	<b>439</b>	<b>4,078,243</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,578,664</b>	<b>\$ 243,393</b>	<b>\$ 578,542</b>	<b>\$ 175,580</b>	<b>\$ 843,400</b>	<b>\$ 83,187</b>	<b>\$ 244,561</b>	<b>\$ 736,652</b>	<b>\$ 389,263</b>	<b>\$ 4,873,242</b>

**CITY OF GEORGETOWN, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
for the year ended June 30, 2021**

	<b>Business Park Fund</b>	<b>911 Fees Fund</b>	<b>Capital Projects Fund</b>	<b>State &amp; Federal Grants Fund</b>	<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	\$ -	\$ 1,093,677	\$ 375,814	\$ 1,464,635	\$ 557,077	\$ 13,305	\$ 18,006	\$ -	\$ -	\$ 3,522,514
Licenses and permits	-	-	-	-	-	-	-	-	1,401,119	1,401,119
Taxes	-	-	-	-	-	-	-	-	-	-
Other revenue	-	541,545	197,750	-	-	-	-	-	-	739,295
Investment income	-	-	2	7	642	69	202	93,731	-	94,653
<b>Total Revenues</b>	<b>-</b>	<b>1,635,222</b>	<b>573,566</b>	<b>1,464,642</b>	<b>557,719</b>	<b>13,374</b>	<b>18,208</b>	<b>93,731</b>	<b>1,401,119</b>	<b>5,757,581</b>
<b>EXPENDITURES</b>										
Current										
Administration	-	-	-	-	-	-	-	3,654	45,136	48,790
Police	-	-	-	563,519	-	-	12,603	-	1,355,983	1,932,105
Fire	-	-	-	397,983	-	-	-	-	-	397,983
Telecommunications	-	1,785,367	-	-	-	-	-	-	-	1,785,367
Community development	18,046	-	-	398,845	-	-	-	-	-	416,891
Public works	-	-	216,755	15,950	459,398	2,527	-	-	-	694,630
Capital outlay	179,680	-	1,060,596	88,345	-	-	-	-	-	1,328,621
Debt Service	70,445	-	-	-	-	-	-	-	-	70,445
<b>Total Expenditures</b>	<b>268,171</b>	<b>1,785,367</b>	<b>1,277,351</b>	<b>1,464,642</b>	<b>459,398</b>	<b>2,527</b>	<b>12,603</b>	<b>3,654</b>	<b>1,401,119</b>	<b>6,674,832</b>
Excess of Revenues Over (Under) Expenditures	(268,171)	(150,145)	(703,785)	-	98,321	10,847	5,605	90,077	-	(917,251)
Other Financing Sources (Uses)										
Proceeds from sale of assets	1,500	324	233,611	-	-	-	-	-	-	235,435
Transfers in (out)	70,445	310,646	-	-	-	-	-	(6,056)	-	375,035
<b>Net change in fund balance</b>	<b>(196,226)</b>	<b>160,825</b>	<b>(470,174)</b>	<b>-</b>	<b>98,321</b>	<b>10,847</b>	<b>5,605</b>	<b>84,021</b>	<b>-</b>	<b>(306,781)</b>
Fund Balance, beginning of year	1,771,702	-	903,779	98	745,079	72,340	238,956	652,631	439	4,385,024
<b>Fund Balance, end of year</b>	<b>\$ 1,575,476</b>	<b>\$ 160,825</b>	<b>\$ 433,605</b>	<b>\$ 98</b>	<b>\$ 843,400</b>	<b>\$ 83,187</b>	<b>\$ 244,561</b>	<b>\$ 736,652</b>	<b>\$ 439</b>	<b>\$ 4,078,243</b>





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

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, 2021, 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 January 10, 2022.

**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  
January 10, 2022



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

Honorable Tom Prather, Mayor

And the 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, 2021. City of Georgetown, Kentucky's major federal programs are identified in the summary of auditor's 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, 2021.

## 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  
January 10, 2022

**CITY OF GEORGETOWN, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2021**

GRANTOR/PROGRAM TITLE	Federal AL 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	\$ -	\$ 54,906
COVID-19 - Coronavirus Relief Fund for States	21.019	PON2 1122100001413	-	<u>787,670</u>
<b>Total U.S. Department of the Treasury</b>			<u>-</u>	<u><b>842,576</b></u>
U.S. Department of Housing & Urban Development				
Passed through the Kentucky Department for Local Government				
Community Development Block Grant	14.228	PON2 1122000000716	-	<u>335,845</u>
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<u>-</u>	<u><b>335,845</b></u>
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	-	9,180
Victims of Crime Advocate	16.841	N/A	-	<u>68,197</u>
<b>Total U.S. Department of Justice</b>			<u>-</u>	<u><b>77,377</b></u>
U.S. Department of Transportation				
Passed through the Kentucky Transportation Cabinet				
Highway Planning and Construction - CMAQ	20.205	SC-628-18000000918	-	78,590
Highway Planning and Construction - TAP	20.205	4000-078	-	<u>9,755</u>
			-	88,345
State and Community Highway Safety	20.600	SC-625-2000001716	-	1,975
State and Community Highway Safety	20.600	SC-625-2100000313	-	<u>3,287</u>
<b>Total U.S. Department of Transportation</b>			<u>-</u>	<u><b>93,607</b></u>
U.S. Department of Homeland Security				
Passed through the Kentucky Office of Homeland Security				
State Homeland Security Grant - Police Department	97.067	SC-094-2000001068	-	<u>7,550</u>
<b>Total U.S. Department of Homeland Security</b>			<u>-</u>	<u><b>7,550</b></u>
<b>Total federal awards expended</b>			<u><b>\$ -</b></u>	<u><b>\$ 1,356,955</b></u>

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, 2021**

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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:**

<b>AL Numbers</b>	<b>Name of Federal Program or Cluster</b>
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