# CITY OF GEORGETOWN, KENTUCKY

**FINANCIAL STATEMENTS**
**AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2009**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Karen Tingle-Sames and
Members of City Council
City of Georgetown
Georgetown, Kentucky 40324

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, 2009, which collectively comprise the City's basic financial statements as listed in the forgoing table of contents. These financial statements are the responsibility of the City of Georgetown, Kentucky's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund and the aggregate remaining fund information of the City of Georgetown, Kentucky as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the City of Georgetown, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on pages 6 through 9 and budgetary comparison schedules on pages 42 through 46 are not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Georgetown, Kentucky's basic financial statements. The supplemental information contained on pages 47 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards contained on page 59 is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kelley, Galloway & Company, PSC

December 23, 2009

## Basic Financial Statements

The following discussion is presented with the financial statements and the Independent Auditors' Report for the City of Georgetown for the year ended June 30, 2009. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. In accordance with the required reporting standards, the City presents (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

## Government-Wide Financial Statements

Government-wide financial statements report the overall financial position and activities of the City as a whole. Included in the government-wide financial statements are the Statement of Net Assets and the Statement of Activities. The statements are prepared using the accounting principles similar to a commercial business. All funds are included in the statements except for the Fiduciary Funds. The Fiduciary Funds are not included because the fund's resources cannot be used to finance the City's activities.

The Statement of Net Assets shows the difference between the City's total assets and total liabilities. The net assets are similar to the owner's equity in financial statements of a commercial business. The City's purpose is to provide services and not to accumulate net assets, but an increase in the net assets shows the financial position of the City has improved.

The Statement of Activities shows the revenues and expenses of the City using the accrual method of accounting. The activities are measured like a commercial business. Revenues are reported although they may be collected after the end of the fiscal year, and expenses are recorded even though all may not be paid by the end of the fiscal year. The change in net assets reported by the City is similar to net income in a commercial business. This statement focuses on the City's net cost of various activities provided. One column shows the expenses of the major functions/programs, and the other columns show the revenues relating to these functions or programs.

The net (expense)/revenue column is the difference between the expenses and the revenues for the specific activities. The activities are reported as follows:

- **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, 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 are the Water & Wastewater Treatment Plant #1, the Wastewater Treatment Plant #2, and the Water & Wastewater Treatment Plant #3, which are activities of Georgetown Municipal Water and Sewer Service. Their activities are included because the City approves all contracts for purchases over $10,000, issues all debt instruments, and approves changes in the rate schedules. Solid Waste and Sanitation are the other business-type activities. The City charges sanitation fees to customers to help cover the cost of the collection.

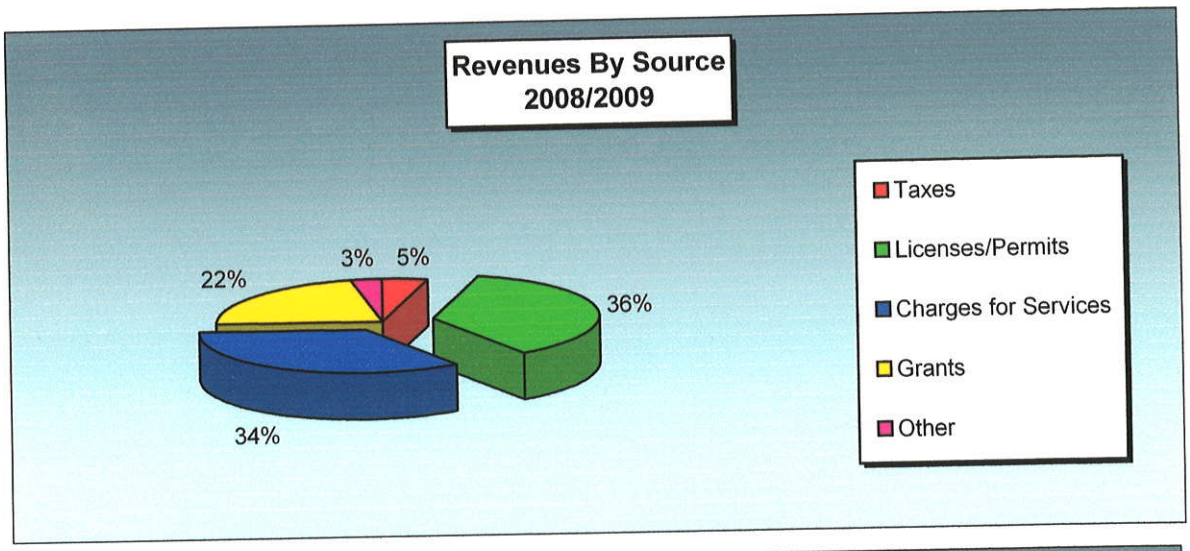
Current year information concerning the government-wide financial statements is required to be reported with comparisons to the prior year and is summarized as follows:

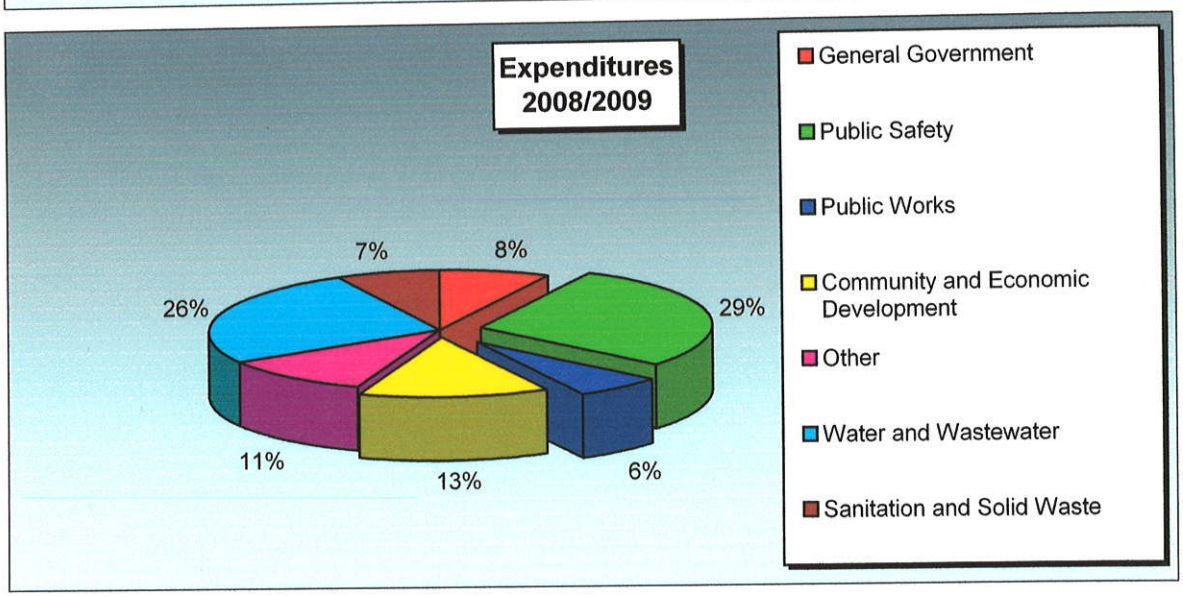
**Net Assets for the period ending June 30, 2009 as compared to June 30, 2008**

| | June 30, 2009 | June 30, 2008 |
|---|---|---|
| Current Assets | $ 15,314,947 | $ 17,086,396 |
| Noncurrent Assets | 166,512,598 | 167,380,790 |
| **Total Assets** | $ 181,235,520 | $ 184,467,186 |
| | | |
| Current Liabilities | $ 6,048,507 | $ 7,062,196 |
| Noncurrent Liabilities | 26,617,477 | 27,327,435 |
| **Total Liabilities** | 32,665,984 | 34,389,631 |
| | | |
| **Net Assets** | | |
| Investment in capital assets (net of debt) | 138,743,314 | 138,760,260 |
| Restricted | 3,581,494 | 3,461,442 |
| Unreserved Fund Balance | 6,765,771 | 7,855,853 |
| **Total Net Assets** | $ 149,090,579 | $ 150,077,555 |

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2009 and 2008, respectively.

| | 2009 Amount | 2008 Amount |
|---|---|---|
| **Revenues:** | | |
| Property and other taxes | $ 1,497,880 | $ 1,440,842 |
| Licenses, fees, and permits | 12,107,050 | 15,906,374 |
| Fines and reimbursements | 64,221 | 112,740 |
| Intergovernmental revenues | 7,167,262 | 6,786,153 |
| Sales and services | 11,427,278 | 10,998,018 |
| Interest income | 438,507 | 331,721 |
| Other sources | 514,653 | 260,116 |
| **Total revenues** | 33,216,851 | 35,835,964 |
| | | |
| **Expenses:** | | |
| General government | 2,381,064 | 2,547,362 |
| Public safety | 10,783,069 | 10,788,540 |
| Public works | 2,035,064 | 2,588,668 |
| Building inspection | 532,882 | 641,788 |
| Cardome | 541,013 | 713,947 |
| Cemetary | 267,945 | 287,165 |
| Community and economic | 3,819,589 | 3,953,608 |
| Debt service | 322,264 | 737,730 |
| Infrastructure depreciation | 1,817,985 | 1,788,916 |
| Water and wastewater | 10,018,768 | 9,952,996 |
| Sanitation & solid waste | 1,469,859 | 1,580,372 |
| Loss on sale of property | 216,032 | 1,000,509 |
| **Total expenses** | 34,205,534 | 36,581,601 |
| | | |
| **Revenue over (under) expenses** | $ (988,683) | $ (745,637) |




**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 three categories that the City's fund financial statements are divided into are the Governmental Funds, Proprietary Funds, and Fiduciary Funds.

- **Governmental Funds.** The financial statements in the governmental funds consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances. The General Fund and the Business Park Fund are presented in separate columns because of their significance. Other Governmental funds are combined. The balances and activities in the Governmental Funds are also reported in the Government-Wide Financial Statements previously discussed. Because the modified accrual basis is used in the Governmental Funds there can be significant differences in presentation of the fund financial statements and the entity-wide financial statements, so reconciliations are presented on pages 13 and 15. For fiscal year 2009 the excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) was ($896,295) in the General Fund, ($225,848) in the Business Park

Fund and ($743,505) in the Other Governmental Funds. There was $2,043,266 transferred as other financing uses from the General Fund, $230,319 transferred as other financing sources to the Business Park Fund, and $743,283 transferred as other financing sources to the Other Governmental Funds. In addition, proceeds from sale of property in the amount of $141,325 in the General Fund were included in other financing sources.

- **Proprietary Funds.** The financial statement in the Proprietary Funds or Enterprise Funds consist of a statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows. They are prepared using an accounting basis similar to the government-wide financial statements. The total increase in net assets was $3,240,189 for fiscal year 2009. The Water and Wastewater Treatment Plant #1 increased a net $2,256,894, which included $2,257,321 of contributed assets. The Wastewater Treatment Plant #2 decreased by $431,698, which included contributed assets of $130,820. The Water & Wastewater Treatment Plant #3 increased by $55,443, which included contributed assets of $49,717. The Sanitation Fund had a net increase of $1,741, which included a transfer out of $260,000 to the General Fund to pay back losses covered by the General Fund in the prior year. The Solid Waste Management Fund had a net increase in net assets of $1,357,809, which included a transfer in of $1,329,664 from the General Fund to pay off the debt of this fund and cover other costs.

- **Fiduciary Funds.** The financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City is the Trustee for perpetual care, and the funds are to be used for their intended purpose.

**Budgetary Highlights**

The original General Fund budget adopted by the City for the fiscal year ended June 30, 2009 is included in the supplementary information beginning on page 42. Actual revenues were less than budgeted by $2,692,087. This was primarily attributed to the occupational & net profits license fees being less than estimated by approximately $3.1 million. Total expenditures had a positive variance of $1,527,300, which was primarily due to an effort to decrease expenses.

**Capital Asset and Debt Administration**

Capital asset additions/deletions in the governmental activities net of depreciation and capital asset deletions for fiscal year 2009 decreased by $1,870,874. The increase in the business-type activities capital assets, net of depreciation and capital asset deletions was $3,552,407. The City's long-term debt increased $954,143, mainly due to refinancing and paying off the debt of the Solid Waste Management Fund. Additional information regarding capital asset and debt activity can be found in Note 3 to the financial statements.

**Future Debt Information**

The Police Department has moved from the Police Station on Bourbon Street to rented space due to health concerns. If construction on a new building were needed in the next fiscal year, new debt would be issued.

**Request for Information**

Questions regarding this report should be directed to contact the Director of Finance at 100 Court Street, P.O. Box 677, Georgetown, Kentucky 40324. Financial Statements and additional information for Georgetown Municipal Water & Sewer Service can be requested from the Finance Director at P.O. Box 640, Georgetown, Kentucky 40324.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF NET ASSETS**
**JUNE 30, 2009**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ 2,021,794 | $ 593,546 | $ 2,615,340 |
| Certificates of deposit | 1,627,572 | - | 1,627,572 |
| Accounts receivable: | | | |
| Taxes & licenses | 19,011 | - | 19,011 |
| Intergovernmental | 1,318,686 | - | 1,318,686 |
| Accrued interest | 35,822 | 213,111 | 248,933 |
| Other | 941,722 | 70,855 | 1,012,577 |
| Internal balances, net | 2,370,999 | (2,406,679) | (35,680) |
| Customers, net | 24,351 | 983,328 | 1,007,679 |
| Prepaid expenses | 608,034 | 216,494 | 824,528 |
| Restricted assets - | | | |
| Cash and cash equivalents | - | 2,366,967 | 2,366,967 |
| Certificates of deposit | - | 1,494,459 | 1,494,459 |
| Accrued interest receivable | - | 2,556 | 2,556 |
| Note receivable | 18,000 | 2,794,319 | 2,812,319 |
| Deferred cost of issuing debt | 174,234 | 287,506 | 461,740 |
| Nondepreciable capital assets | 10,158,077 | 3,405,355 | 13,563,432 |
| Depreciable capital assets | 101,393,718 | 135,575,606 | 236,969,324 |
| Accumulated depreciation | (36,080,240) | (48,401,658) | (84,481,898) |
| Total assets | 84,631,780 | 97,195,765 | 181,827,545 |
| Liabilities: | | | |
| Accounts payable | 1,040,845 | 180,661 | 1,221,506 |
| Contracts payable | - | 143,382 | 143,382 |
| Accrued payroll liabilities | 759,192 | 152,789 | 911,981 |
| Other accrued liabilities | - | 513,783 | 513,783 |
| Accrued interest payable | 3,974 | 105,778 | 109,752 |
| Customer deposits | 388,442 | 176,710 | 565,152 |
| Deferred revenue | 933,790 | - | 933,790 |
| Accrued compensated absences, current | 73,556 | 2,930 | 76,486 |
| Current portion of long-term debt | 377,012 | 1,192,645 | 1,569,657 |
| Accrued compensated absences, non-current | 539,411 | 340,179 | 879,590 |
| Bonds and notes payable, non-current | - | 12,725,757 | 12,725,757 |
| Capital lease obligations, non-current | 13,012,130 | - | 13,012,130 |
| Total liabilities | 17,128,352 | 15,534,614 | 32,662,966 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 62,082,413 | 76,660,901 | 138,743,314 |
| Restricted | - | 3,581,494 | 3,581,494 |
| Unrestricted | 5,421,015 | 1,344,756 | 6,765,771 |
| Total net assets | $ 67,503,428 | $ 81,587,151 | $ 149,090,579 |

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2009**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities | Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities | Net (Expense) Revenue and Changes in Net Assets: Total |
|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | |
| General government | $ 2,381,064 | $ - | $ 406,634 | $ 561,994 | $ (1,412,436) | $ - | $ (1,412,436) |
| Public safety: | | | | | | | |
| Police | 4,603,463 | 17,306 | 1,191,276 | - | (3,394,881) | - | (3,394,881) |
| Fire | 5,066,786 | 10,710 | 191,482 | - | (4,864,594) | - | (4,864,594) |
| Telecommunications | 1,112,820 | - | 473,616 | - | (639,204) | - | (639,204) |
| Public works: | | | | | | | |
| Streets and roads | 1,656,059 | - | 324,711 | - | (1,331,348) | - | (1,331,348) |
| Recycling | 175,149 | 38,390 | 86,604 | - | (50,155) | - | (50,155) |
| Beautification | 203,856 | - | - | - | (203,856) | - | (203,856) |
| Building inspection | 532,882 | 176,731 | 228,681 | - | (127,470) | - | (127,470) |
| Cardome | 541,013 | 117,538 | 1,500 | - | (421,975) | - | (421,975) |
| Cemetary | 267,945 | 172,827 | 51,765 | - | (43,353) | - | (43,353) |
| Community and economic development: | | | | | | | |
| Community development | 3,793,598 | 5,598 | 1,029,465 | - | (2,758,535) | - | (2,758,535) |
| Economic development | 25,991 | - | 181,676 | - | 155,685 | - | 155,685 |
| Infrastructure depreciation | 1,817,985 | - | - | - | (1,817,985) | - | (1,817,985) |
| Debt service | 322,264 | - | - | - | (322,264) | - | (322,264) |
| Total governmental activities | 22,500,875 | 539,100 | 4,167,410 | 561,994 | (17,232,371) | - | (17,232,371) |
| **Business-Type Activities:** | | | | | | | |
| Water & wastewater treatment plant #1 | 8,057,891 | 7,974,675 | - | 2,257,321 | - | 2,174,105 | 2,174,105 |
| Wastewater treatment plant #2 | 1,827,136 | 1,264,618 | - | 130,820 | - | (431,698) | (431,698) |
| Water and Wastewater treatment plant #3 | 133,741 | 139,467 | - | 49,717 | - | 55,443 | 55,443 |
| Sanitation | 1,242,220 | 1,509,418 | - | - | - | 267,198 | 267,198 |
| Solid waste management | 227,639 | - | - | - | - | (227,639) | (227,639) |
| Total business-type activities | 11,488,627 | 10,888,178 | - | 2,437,858 | - | 1,837,409 | 1,837,409 |
| Total primary government | $ 33,989,502 | $ 11,427,278 | $ 4,167,410 | $ 2,999,852 | $ (17,232,371) | $ 1,837,409 | $ (15,394,962) |
| | | **General Revenues:** | | | | | |
| | | Property and other local taxes | | | $ 1,497,880 | $ - | $ 1,497,880 |
| | | Licenses, fees, and permits | | | 12,107,050 | - | 12,107,050 |
| | | Fines and reimbursements | | | 64,221 | - | 64,221 |
| | | Interest income | | | 99,934 | 338,573 | 438,507 |
| | | Loss on sale of property | | | (210,575) | (5,457) | (216,032) |
| | | Other revenues | | | 514,653 | - | 514,653 |
| | | Total general revenues | | | 14,073,163 | 333,116 | 14,406,279 |
| | | Transfers | | | (1,069,664) | 1,069,664 | - |
| | | Total general revenues and transfers | | | 13,003,499 | 1,402,780 | 14,406,279 |
| | | Change in net assets | | | (4,228,872) | 3,240,189 | (988,683) |
| | | Net assets, June 30, 2008, as restated | | | 71,732,300 | 78,346,962 | 150,079,262 |
| | | Net assets, June 30, 2009 | | | $ 67,503,428 | $ 81,587,151 | $ 149,090,579 |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2009**

| | General | Business Park Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 2,013,170 | $ 1,937 | $ 6,687 | $ 2,021,794 |
| Certificates of deposit | 1,627,572 | - | - | 1,627,572 |
| Receivables: | | | | |
| Customer | - | - | 34,351 | 34,351 |
| Taxes and licenses | 19,011 | - | - | 19,011 |
| Intergovernmental | 912,590 | 41,298 | 364,798 | 1,318,686 |
| Accrued interest | 35,822 | - | - | 35,822 |
| Other | 941,722 | - | - | 941,722 |
| Due from other funds | 1,938,214 | 11,177 | 529,471 | 2,478,862 |
| Prepaid expenses | 608,034 | - | - | 608,034 |
| Total assets | $ 8,096,135 | $ 54,412 | $ 935,307 | $ 9,085,854 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 687,644 | $ 497 | $ 229,750 | $ 917,891 |
| Accrued payroll liabilities | 742,949 | - | 16,243 | 759,192 |
| Due to other funds | - | - | 107,863 | 107,863 |
| Deferred revenue | 919,290 | 12,316 | 2,184 | 933,790 |
| Deposits | 386,505 | 1,937 | - | 388,442 |
| Compensated absences | 73,556 | - | - | 73,556 |
| Total liabilities | 2,809,944 | 14,750 | 356,040 | 3,180,734 |
| Fund Balances: | | | | |
| Reserved | 608,034 | - | 49,529 | 657,563 |
| Unreserved | 4,678,157 | 39,662 | 529,738 | 5,247,557 |
| Total fund balances | 5,286,191 | 39,662 | 579,267 | 5,905,120 |
| Total liabilities and fund balances | $ 8,096,135 | $ 54,412 | $ 935,307 | $ 9,085,854 |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**
**JUNE 30, 2009**

| | |
|---|---|
| Total fund balance - total governmental funds | $ 5,905,120 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Accounts receivable in governmental activities for the cemetary are fully recorded; however, these are reported at the net estimated value in the statement of net assets. | (10,000) |
| Accounts receivable in governmental activities under an agreement with the local gas company are due in future years based on outside customer usage. | 18,000 |
| Accounts payable in governmental activities under an agreement with the local water company are payable in future years based on outside customer usage. | (122,954) |
| Capital assets of $111,551,795 net of accumulated depreciation of $36,080,240 used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 75,471,555 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds: | |
| Deferred cost of issuing debt | 174,234 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | |
| Capital leases payable | (13,389,142) |
| Accrued interest payable | (3,974) |
| Compensated absences | (539,411) |
| Net assets, end of year - Governmental Activities | $ 67,503,428 |

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General | Business Park Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property and other local taxes | $ 1,497,880 | $ - | $ - | $ 1,497,880 |
| Licenses, fees, and permits | 12,283,781 | - | - | 12,283,781 |
| Fines and reimbursements | 64,221 | - | 18,703 | 82,924 |
| Intergovernmental | 2,458,837 | 162,887 | 1,545,686 | 4,167,410 |
| Interest income | 90,597 | - | 9,337 | 99,934 |
| Other income | 576,041 | 1,138 | 48,692 | 625,871 |
| Sales and services | - | - | 202,505 | 202,505 |
| Rental | 26,200 | - | 51,370 | 77,570 |
| Total revenues | 16,997,557 | 164,025 | 1,876,293 | 19,037,875 |
| **Expenditures** | | | | |
| General government | 1,971,958 | - | - | 1,971,958 |
| Public works | 1,215,142 | - | 357,834 | 1,572,976 |
| Police | 3,996,021 | - | 178,243 | 4,174,264 |
| Fire | 4,319,694 | - | 604,709 | 4,924,403 |
| Recycling | 162,502 | - | - | 162,502 |
| Building inspection | 524,728 | - | - | 524,728 |
| Telecommunications | 979,582 | - | - | 979,582 |
| Beautification | 191,347 | - | - | 191,347 |
| Business Park | - | 88,890 | - | 88,890 |
| Community Development | 3,663,812 | - | 129,786 | 3,793,598 |
| Cemetary | - | - | 257,376 | 257,376 |
| Cardome | - | - | 426,387 | 426,387 |
| Debt service | 489,042 | 181,795 | - | 670,837 |
| Capital outlay | 380,024 | 119,188 | 665,463 | 1,164,675 |
| Total expenditures | 17,893,852 | 389,873 | 2,619,798 | 20,903,523 |
| Excess of Revenues Over (Under) Expenditures | (896,295) | (225,848) | (743,505) | (1,865,648) |
| **Other Financing Sources (Uses)** | | | | |
| Debt proceeds | 10,167,927 | - | - | 10,167,927 |
| Payment to refunded debt escrow agent | (8,963,427) | - | - | (8,963,427) |
| Sale of property | 141,325 | - | - | 141,325 |
| Transfers in | 260,000 | 230,319 | 743,283 | 1,233,602 |
| Transfers out | (2,303,266) | - | - | (2,303,266) |
| Total other financing sources (uses) | (697,441) | 230,319 | 743,283 | 276,161 |
| Net change in fund balances | (1,593,736) | 4,471 | (222) | (1,589,487) |
| Fund balances, beginning of year, as restated | 6,879,927 | 35,191 | 579,489 | 7,494,607 |
| Fund balances end of year | $ 5,286,191 | $ 39,662 | $ 579,267 | $ 5,905,120 |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ (1,589,487) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital asset purchases capitalized | 1,727,342 |
| Depreciation expense | (3,246,316) |
| The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (954,143) |
| Some revenues reported in the statement of activities are fully recorded; however, these are reported at the net estimated value in the statement of net assets. | (47,627) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Accrued compensated absences | 72,144 |
| Deferred cost of issuing debt | 86,410 |
| Accrued interest payable | 11,806 |
| Accrued water usage fees payable | 62,899 |
| Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized | (351,900) |
| Change in net assets of governmental activities | $ (4,228,872) |

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF NET ASSETS**
**PROPRIETARY FUNDS**
**JUNE 30, 2009**

| ASSETS | Water & Wastewater Treatment Plant No. 1 | Wastewater Treatment Plant No. 2 | Water & Wastewater Treatment Plant No. 3 | Sanitation Fund | Solid Waste Management Fund | Totals |
|---|---|---|---|---|---|---|
| Unrestricted assets: | | | | | | |
| Cash and cash equivalents | $ 593,546 | $ - | $ - | $ - | $ - | $ 593,546 |
| Accounts receivable: | | | | | | |
| Intergovernmental | - | - | - | - | - | - |
| Customer accounts receivable, net | 742,000 | 105,053 | - | 136,275 | - | 983,328 |
| Other, net | 35,202 | - | - | - | 35,653 | 70,855 |
| Interfund receivable | 1,621,235 | - | - | - | - | 1,621,235 |
| Prepaid expenses | 56,638 | 10,682 | 1,174 | - | 148,000 | 216,494 |
| Total unrestricted assets | 3,048,621 | 115,735 | 1,174 | 136,275 | 183,653 | 3,485,458 |
| Restricted assets: | | | | | | |
| Cash, cash equivalents and investments: | | | | | | |
| Bond and interest reserve - cash | 250,352 | - | - | - | - | 250,352 |
| Bond and interest reserve - invesment | 765,143 | - | - | - | - | 765,143 |
| Note and interest reserve - investment | 300,666 | - | - | - | - | 300,666 |
| KIA loan reserve - cash | 88,221 | - | - | - | - | 88,221 |
| Depreciation reserve - cash | 1,909,907 | - | - | - | - | 1,909,907 |
| Depreciation reserve - investment | 250,000 | - | - | - | - | 250,000 |
| Customer deposits - cash | 118,487 | - | - | - | - | 118,487 |
| Customer deposits - investment | 151,194 | - | - | - | 27,456 | 178,650 |
| Accrued interest receivable | 2,556 | - | - | - | - | 2,556 |
| Total restricted assets | 3,836,526 | - | - | - | 27,456 | 3,863,982 |
| Total current assets | 6,885,147 | 115,735 | 1,174 | 136,275 | 211,109 | 7,349,440 |
| Capital assets: | | | | | | |
| Land and easements | 444,932 | 130,019 | 70,052 | - | 2,409,689 | 3,054,692 |
| Buildings and improvements | 2,031,039 | 3,917,804 | - | - | - | 5,948,843 |
| Utility plants in service | 104,683,306 | 17,878,799 | 2,211,261 | - | - | 124,773,366 |
| Furniture, fixtures and equipment | 896,783 | 784,412 | - | 978,199 | 129,484 | 2,788,878 |
| Transportation and work equipment | 1,169,834 | 204,810 | 1,692 | 688,183 | - | 2,064,519 |
| Construction in progress | 350,663 | - | - | - | - | 350,663 |
| | 109,576,557 | 22,915,844 | 2,283,005 | 1,666,382 | 2,539,173 | 138,980,961 |
| Less: accumulated depreciation | (34,710,291) | (11,897,634) | (721,819) | (1,069,913) | (2,001) | (48,401,658) |
| Net capital assets | 74,866,266 | 11,018,210 | 1,561,186 | 596,469 | 2,537,172 | 90,579,303 |
| Other assets: | | | | | | |
| Deferred costs of issuing debt | 287,506 | - | - | - | - | 287,506 |
| Interest receivable | - | - | - | - | 213,111 | 213,111 |
| Note receivable | - | - | - | - | 2,794,319 | 2,794,319 |
| Total other assets | 287,506 | - | - | - | 3,007,430 | 3,294,936 |
| Total assets | $ 82,038,919 | $ 11,133,945 | $ 1,562,360 | $ 732,744 | $ 5,755,711 | $ 101,223,679 |

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2009

| | Water & Wastewater Treatment Plant No. 1 | Wastewater Treatment Plant No. 2 | Water & Wastewater Treatment Plant No. 3 | Sanitation Fund | Solid Waste Management Fund | Totals |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| Current liabilities (payable from unrestricted assets): | | | | | | |
| Accounts payable | $ 62,949 | $ 54,969 | $ - | $ 31,820 | $ 30,923 | $ 180,661 |
| Accrued payroll liabilities | 105,081 | 25,013 | 1,717 | 20,978 | - | 152,789 |
| Other accrued liabilities | 418,909 | 15,693 | - | 38 | 5,143 | 439,783 |
| Compensated absences | - | - | - | 2,930 | - | 2,930 |
| Interfund payable | - | 1,511,229 | 110,006 | 576,365 | 1,830,314 | 4,027,914 |
| Accrued landfill closure and postclosure care | - | - | - | - | 74,000 | 74,000 |
| Contracts payable | 143,382 | - | - | - | - | 143,382 |
| Total current liabilities (payable from unrestricted assets) | 730,321 | 1,606,904 | 111,723 | 632,131 | 1,940,380 | 5,021,459 |
| Current liabilities (payable from restricted assets): | | | | | | |
| Current portion of long-term debt | 1,182,645 | - | 10,000 | - | - | 1,192,645 |
| Customer deposits | 176,710 | - | - | - | - | 176,710 |
| Accrued landfill closure and postclosure care | | - | - | - | 74,000 | 74,000 |
| Accrued interest payable | 105,778 | - | - | - | - | 105,778 |
| Total current liabilities (payable from restricted assets) | 1,465,133 | - | 10,000 | - | 74,000 | 1,549,133 |
| Long-term liabilities: | | | | | | |
| Compensated absences | 263,391 | 55,302 | - | 21,486 | - | 340,179 |
| Long-term debt, net of current portion | 12,690,757 | - | 35,000 | - | - | 12,725,757 |
| Total long-term liabilities | 12,954,148 | 55,302 | 35,000 | 21,486 | - | 13,065,936 |
| Total liabilities | 15,149,602 | 1,662,206 | 156,723 | 653,617 | 2,014,380 | 19,636,528 |
| **NET ASSETS** | | | | | | |
| Invested in capital assets, net of related debt | 60,992,864 | 11,018,210 | 1,516,186 | 596,469 | 2,537,172 | 76,660,901 |
| Restricted | 3,554,038 | - | - | - | 27,456 | 3,581,494 |
| Unrestricted | 2,342,415 | (1,546,471) | (110,549) | (517,342) | 1,176,703 | 1,344,756 |
| Total net assets | $ 66,889,317 | $ 9,471,739 | $ 1,405,637 | $ 79,127 | $ 3,741,331 | $ 81,587,151 |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF REVENUES, EXPENSES**
**AND CHANGES IN NET ASSETS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | Water & Wastewater Treatment Plant No. 1 | Wastewater Treatment Plant No. 2 | Water & Wastewater Treatment Plant No. 3 | Sanitation Fund | Solid Waste Management Fund | Totals |
|---|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | | |
| Water revenue | $ 3,897,443 | $ - | $ 71,917 | $ - | $ - | $ 3,969,360 |
| Sewer revenue | 3,126,622 | 271,965 | 65,467 | - | - | 3,464,054 |
| Sanitation fees | - | - | - | 1,493,979 | - | 1,493,979 |
| Connection fees | 650,700 | - | - | - | - | 650,700 |
| Commercial user fees | - | 917,254 | - | - | - | 917,254 |
| Miscellaneous | 205,002 | 75,399 | 2,083 | 15,439 | - | 297,923 |
| Penalties | 94,908 | - | - | - | - | 94,908 |
| Total operating revenues | 7,974,675 | 1,264,618 | 139,467 | 1,509,418 | - | 10,888,178 |
| OPERATING EXPENSES | | | | | | |
| Depreciation | 2,850,910 | 563,739 | 48,149 | 172,533 | 2,001 | 3,637,332 |
| Salaries and wages | 1,938,383 | 449,010 | 17,668 | 425,104 | - | 2,830,165 |
| Employee benefits | 819,526 | 175,154 | 3,468 | 256,999 | - | 1,255,147 |
| Purchased water | 399,406 | - | - | - | - | 399,406 |
| Utilities | 407,960 | 112,547 | 14,129 | 14,368 | 3,046 | 552,050 |
| Supplies | 322,160 | 349,806 | 8,629 | 65,600 | - | 746,195 |
| Maintenance and repairs | 293,203 | 89,660 | 17,038 | 63,446 | - | 463,347 |
| Insurance | 140,008 | 36,773 | 4,656 | 3,578 | - | 185,015 |
| Professional services | 162,373 | 44,400 | 17,440 | 7,367 | 47,635 | 279,215 |
| Conferences, training, and meetings | 60,595 | 5,641 | - | - | - | 66,236 |
| Miscellaneous | 43,895 | 406 | 130 | 960 | - | 45,391 |
| Landfill services | - | - | - | 232,265 | 17,983 | 250,248 |
| Public works | - | - | - | - | - | - |
| Leachate disposal | - | - | - | - | 133,156 | 133,156 |
| Wellhead protection | 4,908 | - | - | - | - | 4,908 |
| Total operating expenses | 7,443,327 | 1,827,136 | 131,307 | 1,242,220 | 203,821 | 10,847,811 |
| OPERATING INCOME (LOSS) | 531,348 | (562,518) | 8,160 | 267,198 | (203,821) | 40,367 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Contributed assets | 2,257,321 | 130,820 | 49,717 | - | - | 2,437,858 |
| Loss on disposal of asset | - | - | - | (5,457) | - | (5,457) |
| Interest income | 82,789 | - | - | - | 255,784 | 338,573 |
| Grant income | - | - | - | - | - | - |
| Interest expense | (577,615) | - | (2,434) | - | (8,057) | (588,106) |
| Amortization of bond discount | (36,949) | - | - | - | (15,761) | (52,710) |
| Total non-operating revenues (expenses) | 1,725,546 | 130,820 | 47,283 | (5,457) | 231,966 | 2,130,158 |
| INCOME (LOSS) BEFORE TRANSFERS | 2,256,894 | (431,698) | 55,443 | 261,741 | 28,145 | 2,170,525 |
| Transfers in (out) | - | - | - | (260,000) | 1,329,664 | 1,069,664 |
| INCREASE (DECREASE) IN NET ASSETS | 2,256,894 | (431,698) | 55,443 | 1,741 | 1,357,809 | 3,240,189 |
| NET ASSETS, JUNE 30, 2008 | 64,632,423 | 9,903,437 | 1,350,194 | 77,386 | 2,383,522 | 78,346,962 |
| NET ASSETS, JUNE 30, 2009 | $ 66,889,317 | $ 9,471,739 | $ 1,405,637 | $ 79,127 | $ 3,741,331 | $ 81,587,151 |

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | Water & Wastewater Treatment Plant No. 1 | Wastewater Treatment Plant No. 2 | Water & Wastewater Treatment Plant No. 3 | Sanitation Fund | Solid Waste Management Fund | Totals |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | $ 7,805,533 | $ 1,145,022 | $ 137,384 | $ 1,515,579 | $ - | $ 10,603,518 |
| Cash payments to suppliers for goods and services | (1,604,194) | (602,735) | 9,267 | (439,836) | (201,820) | (2,839,318) |
| Cash payments to employees | (2,725,311) | (617,686) | (21,901) | (789,022) | - | (4,153,920) |
| Other operating revenues | 205,002 | 75,399 | 2,083 | - | - | 282,484 |
| Net cash provided by (used for) operating activities | 3,681,030 | - | 126,833 | 286,721 | (201,820) | 3,892,764 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers in (out) | - | - | - | (260,000) | 369,664 | 109,664 |
| Net cash provided by (used for) capital and related financing activities | - | - | - | (260,000) | 369,664 | 109,664 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | (2,478,273) | (130,820) | (164,949) | (26,721) | (129,484) | (2,930,247) |
| Principal paid on long-term debt | (1,137,962) | - | (9,167) | - | (160,000) | (1,307,129) |
| Interest paid on long-term debt | (618,311) | - | (2,434) | - | (8,057) | (628,802) |
| Capital contributions | 926,912 | 130,820 | 49,717 | - | - | 1,107,449 |
| Net cash provided by (used for) capital and related financing activities | (3,307,634) | - | (126,833) | (26,721) | (297,541) | (3,758,729) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest income | 82,546 | - | - | - | 129,697 | 212,243 |
| Net cash provided by investing activities | 82,546 | - | - | - | 129,697 | 212,243 |
| Net increase (decrease) in cash and cash equivalents | 455,942 | - | - | - | - | 455,942 |
| Cash and cash equivalents, June 30, 2008 | 2,504,571 | - | - | - | 27,456 | 2,532,027 |
| Cash and cash equivalents, June 30, 2009 | $ 2,960,513 | $ - | $ - | $ - | $ 27,456 | $ 2,987,969 |
| Cash and Cash Equivalents Reported As: | | | | | | |
| Unrestricted | $ 593,546 | $ - | $ - | $ - | $ - | $ 593,546 |
| Restricted | 2,366,967 | - | - | - | 27,456 | 2,394,423 |
| | $ 2,960,513 | $ - | $ - | $ - | $ 27,456 | $ 2,987,969 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | $ 531,348 | $ (562,518) | $ 8,160 | $ 267,198 | $ (203,821) | $ 40,367 |
| Adjustments: | | | | | | |
| Depreciation and amortization | 2,850,910 | 563,739 | 48,149 | 172,533 | 2,001 | 3,637,332 |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | 30,330 | (44,197) | - | 6,161 | (630) | (8,336) |
| (Increase) decrease in prepaid expenses | 59,176 | 12,888 | 2,444 | - | - | 74,508 |
| Increase (decrease) in accounts payable | 27,557 | 19,650 | 68,845 | (46,382) | 2,174 | 71,844 |
| Increase (decrease) in accrued wages | 14,020 | 3,548 | - | 8,743 | - | 26,311 |
| Increase (decrease) in interfund payable | - | - | - | (115,662) | (1,544) | (117,206) |
| Increase (decrease) in other accrued liabilities | 162,159 | 6,890 | (765) | (5,870) | - | 162,414 |
| Increase in customer deposits | 5,530 | - | - | - | - | 5,530 |
| Net cash provided by (used for) operating activities | $ 3,681,030 | $ - | $ 126,833 | $ 286,721 | $ (201,820) | $ 3,892,764 |
| Noncash capital and related financing activities: | | | | | | |
| Capital assets contributed | $ 1,330,409 | $ - | $ - | $ - | $ - | $ 1,330,409 |
| Contracts payable for capital items (net) | 76,925 | - | - | - | - | 76,925 |
| Deferred costs of issuing debt and bond discount | - | - | - | - | 15,761 | 15,761 |
| Debt assumed by General Fund | - | - | - | - | 960,000 | 960,000 |
| Amortization of bond cost included with bonds payable | 12,647 | - | - | - | - | 12,647 |
| Net noncash capital and related financing activities | $ 1,419,981 | $ - | $ - | $ - | $ 975,761 | $ 2,395,742 |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF NET ASSETS**
**FIDUCIARY FUNDS**
**JUNE 30, 2009**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 223,068 |
| Due from other funds | | 35,680 |
| Accrued interest | | 1,214 |
| Investments | | 243,467 |
| Total assets | | 503,429 |
| **NET ASSETS HELD IN TRUST** | $ | 503,429 |

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF GEORGETOWN, KENTUCKY**
**STATEMENT OF CHANGES IN NET ASSETS**
**FIDUCIARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2009**

| | |
|---|---|
| Operating Revenues: | |
| Perpetual care | $ - |
| Non-operating Revenues (Expenses): | |
| Investment income (loss), net | (25,170) |
| Income before other financing sources (uses) | (25,170) |
| Other Financing Sources (Uses): | |
| Transfer to other funds | - |
| Net Increase | (25,170) |
| NET ASSETS HELD IN TRUST: | |
| Beginning of year | 528,599 |
| End of year | $ 503,429 |

The accompanying notes to finanical statements
are an integral part of this statement.

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Georgetown, Kentucky (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

### a. 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,* as amended by GASB Statement No. 14, 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.

Included within the reporting entity is the Georgetown Municipal Water and Sewer Service (GMWSS). This organization's activities have been blended with the City's financial statements because the City:

- Approves all contracts for the purchase of materials, supplies, and equipment which exceed $20,000;
- Issues all debt instruments required for capital construction or maintenance purposes;
- Approves changes in the rate schedule.
- Appoints the Board of Directors.

A copy of the GMWSS financial statements may be obtained from the finance director of the City of Georgetown.

In addition, the City has created the Business Park Development Authority. This organization's activities have been blended with the City's financial statements because the City:

- Approves all expenditures,
- Issues all debt instruments required for capital construction, and
- Appoints the Board of Directors.

In addition, Georgetown Renaissance, Inc. ("GRI") is a legally separate nonprofit entity. However, Georgetown Renaissance, Inc. is fiscally dependent on the City. The governing body of the City is considered to have control over GRI and, therefore, it is considered to be a component unit of the City. As a result, Georgetown Renaissance, Inc. is included in the City's financial statements as a blended component unit. Georgetown Renaissance, Inc. does not issue separate financial statements.

Certain organizations have been excluded from the City's financial statements in accordance with "The 2009 Codification" criteria. The agencies listed below have been excluded because:

- Appointments to these agencies by elected officials are not authoritative,