

CITY OF GEORGETOWN
Georgetown, Kentucky

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**
June 30, 2010

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**City Council
Members**
David Lusby
Kelly McEuen
Brad Penn
Larry Prather



**City Council
Members**
Mark Singer
Bonnie Skinner
Connie Tackett
Marvin Thompson

EVERETTE VARNEY, MAYOR

City of Georgetown Management's Discussion and Analysis For the Year Ended June 30, 2010

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, 2010. Financial reporting provides the users with information in making decisions and assessing the financial condition of the City. Our Basic Financial Statements are presented in accordance with Governmental Accounting Standards Board (www.gasb.org) accounting and reporting standards for state and local governments in the United States. Our basic financial statements include (1) government-wide financial Statements, (2) fund financial statements, and (3) notes to the financial statements.

Readers can find more details in the statements and narratives on pages 8 through 50 of this report. Some of the significant financial issues include:

- Revenues showed some improvement as the national economy appears to be moving toward recovery. Occupational license fees increased \$632,935 over collections in 2009.
- Operating budgets were sharply reduced during FY 2010 to restrict spending within the limits of the available revenues. However, these reductions were achieved with lower staffing which strained the service delivery.
- Infrastructure assets acquisitions increased by \$8.9 million as the City acquired sidewalks, storm sewers, and roads in additional phases of eight subdivisions—Cherry Blossom, Harmony Ridge, Thoroughbred Acres, Bradford Place, Rocky Creek, Paynes Crossing, Violets Trace, and Elkhorn Creek.
- Grant income declined after the completion of several grants in the Police Department for communication infrastructure and mobile equipment upgrades.
- General Fund balance increased \$1.1 million after three years of expenditures exceeding revenues. This trend should continue as the Scott County economy recovers.

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 statements except for the Cemetery Trust Fund, because those resources cannot be used to finance the City's activities.

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, 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 Assets reflect 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 assets, but an increase in the net assets shows the financial position of City has improved.

The following table outlines a condensed version of the Statement of Net Assets for June 30, 2010 and 2009.

CITY OF GEORGETOWN, KY NET ASSETS (in thousands) JUNE 30, 2010 AND 2009						
	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 6,977	\$ 7,448	\$ 2,076	\$ 1,892	\$ 9,052	\$ 9,340
Capital assets (net of acc d	80,498	75,472	89,310	90,579	169,808	166,051
Other assets	1,965	1,820	4,782	4,576	6,747	6,396
Total Assets	89,440	84,739	96,167	97,048	185,607	181,787
Liabilities						
Current liabilities	2,233	3,635	2,432	2,395	4,665	6,029
Long-term liabilities	13,108	13,552	12,017	13,214	25,124	26,765
Total Liabilities	15,341	17,186	14,449	15,609	29,789	32,795
Net Assets:						
Invested in capital assets, r	67,486	62,082	76,584	76,661	144,070	138,743
Restricted			3,581	3,581	3,581	3,581
Unrestricted	6,613	5,470	1,553	1,197	8,166	6,667
Total Net Assets	\$ 74,099	\$ 67,553	\$ 81,719	\$ 81,439	\$ 155,818	\$ 148,992

Governmental current assets decreased from 2010 after a variety of grants were completed and funds were received for prior year billings. Increases in capital assets reflect \$8.9 million in contributions from developers for additional phases in subdivisions less the annual depreciation expense of \$3.4 million. Governmental current liabilities decreases reflect declines in balances for accounts payable and deferred revenue. The City has improved payments of accounts payable to provide more timely remittances to vendors and manage the City's cash flow. Refunds for overpayments on occupational license fees decreased deferred revenue from the prior year. Unrestricted governmental net assets increased as operating revenues exceeded expenses for the fiscal year.

Balances in the business-type activities did not change much from 2009, except capital assets, debt, and unrestricted net assets. Annual depreciation expense caused the decreases in capital assets. Payments on long-term debt decreased those liabilities. And unrestricted net assets increased with the net income in the water and sewer operations.

The Statement of Activities (page 9) 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 assets for the 2010 and 2009 fiscal years.

CITY OF GEORGETOWN, KY CHANGES IN NET ASSETS (in thousands) JUNE 30, 2010 AND 2009						
	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Charges for service	\$ 388	\$ 539	\$ 11,117	\$ 10,888	\$ 11,505	\$ 11,427
Operating grants and contributions	2,472	4,167			2,472	4,167
Capital grants and contributions	9,143	562	939	2,438	10,083	3,000
Property taxes	1,658	1,498			1,658	1,498
Licenses, fees, and permits	12,779	12,107			12,779	12,107
Other income	325	679	229	339	554	1,017
	<u>26,766</u>	<u>19,552</u>	<u>12,286</u>	<u>13,665</u>	<u>39,052</u>	<u>33,217</u>
General Government	2,351	2,441			2,351	2,441
Police	4,068	4,603			4,068	4,603
Fire	4,339	5,067			4,339	5,067
Telecommunications	1,158	1,113			1,158	1,113
Public Works	3,498	3,853			3,498	3,853
Building Inspection	406	533			406	533
Cemetery	225	268			225	268
Community Development	3,401	4,291			3,401	4,291
Georgetown Municipal Water & Sewer			9,929	10,019	9,929	10,019
Sanitation			1,677	1,242	1,677	1,242
Solid Waste Management			244	228	244	228
Debt Service	254	322			254	322
	<u>19,700</u>	<u>22,491</u>	<u>11,850</u>	<u>11,489</u>	<u>31,550</u>	<u>33,980</u>
Increase (Decrease) in Net Assets Before						
NonOperating Revenues (Expenses)	7,066	(2,939)	436	2,176	7,502	(763)
Gain (Loss) on Disposal of Property	(676)	(211)		(5)	(676)	(216)
Transfers	157	(1,070)	(157)	1,070	-	-
Net Increase (Decrease) in Net Assets	<u>\$ 6,546</u>	<u>\$ (4,219)</u>	<u>\$ 280</u>	<u>\$ 3,240</u>	<u>\$ 6,826</u>	<u>\$ (979)</u>

Operating grants and contributions declined significantly from 2009 to 2010. Grants completed in 2009 for Police include the CMRS (\$60,070), Communication Tower (\$549,900), Mobile Data Terminals (\$34,282) and the mobile Detection Unit (\$36,720). Other grants completed in 2009 include the North Elkhorn project (\$246,793), transportation projects for the Business Park (\$123,225), FEMA reimbursement (\$123,217), Senior Citizens (\$39,236), Japanese Garden (\$56,860), and Business Park (\$39,662). Several other grants were lower in 2010 than in 2009 as programs neared completion or the grant funding declined. In the Water and Sewer funds, capital grants declined as housing and commercial development slowed.

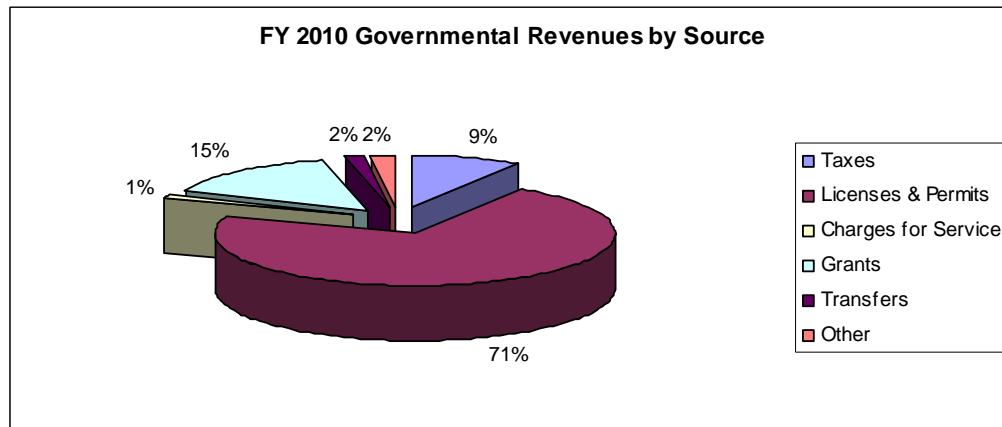
Departmental budgets were trimmed in 2010 to limit spending within the available resources. These cost reductions were achieved with layoffs, unfunded vacant positions, and other cost-cutting measures. However, services were affected and may require increased funding in future budgets.

In FY 2010, the building used to house the Police Department was demolished because of environmental deficiencies. The City will be researching alternatives for replacement of this facility as soon as a site and funding can be identified.

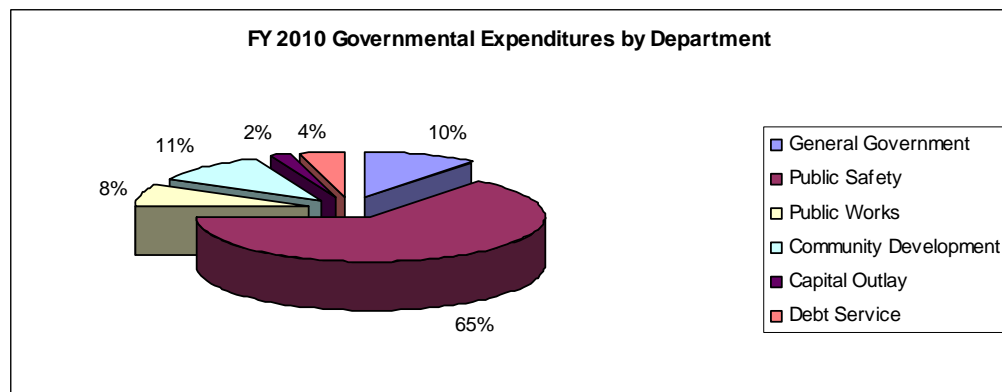
Fund Financial Statements

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.

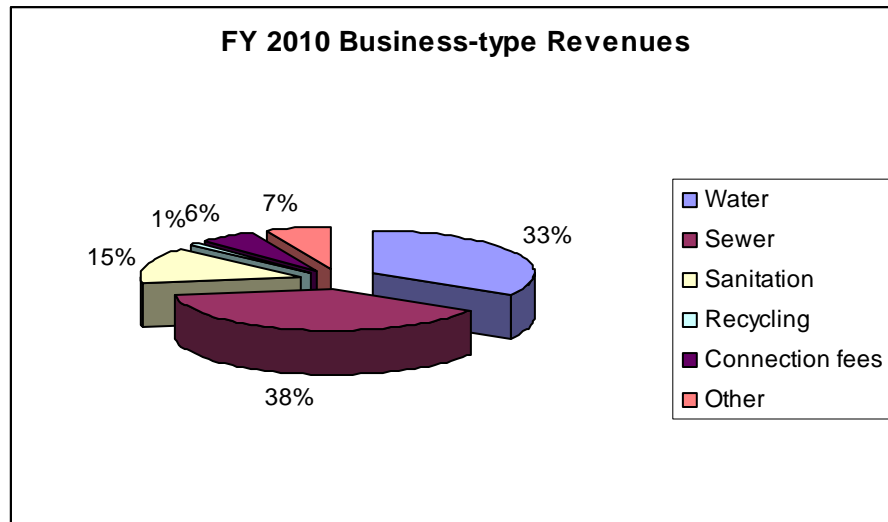
- Governmental Funds.** The City's governmental funds include the General Fund and several special revenue funds, including the Municipal Aid, Local Government Economic Assistance, grants, and the Cemetery operating fund. 30% of the grant revenues are reported in special revenue funds since those grants impose restrictions on the use of those resources. The primary source of revenue in the General Fund, however, includes the occupational license fee on businesses and their employees. Property taxes and the remaining grant sources are reported in the General Fund. Details about individual funds are reported on pages 40 through 50 of this report.



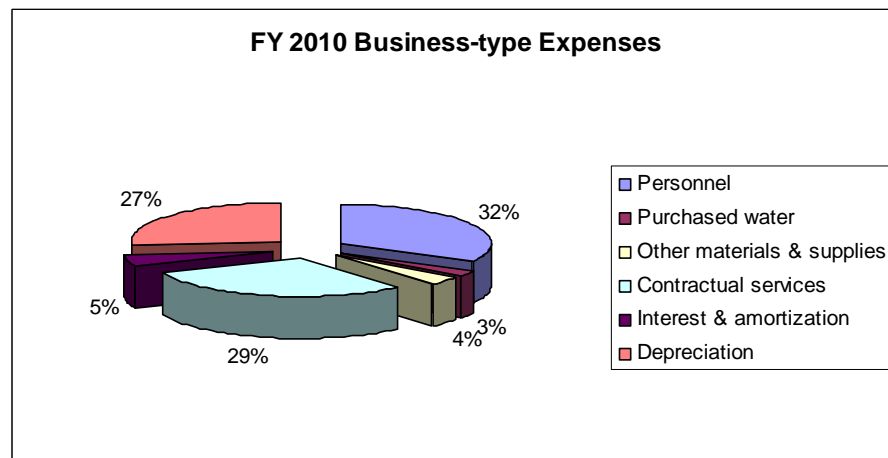
Governmental expenditures include basic services such as police, fire, road maintenance, building inspection, parks and recreation, planning and zoning, and ambulance services. The following chart highlights the allocation among major categories. Public safety includes police, fire, building inspection, ambulance, emergency response, and electrical inspections. Community Development includes parks, planning and zoning, plus centers for youth, education, and senior citizens. More details about the individual departments are reported on pages 11 and 41 of this report.



- **Proprietary Funds.** The City's proprietary funds include the water, sewer, sanitation, and solid waste operations. These funds are financed with user fees based on consumption and the costs of providing these services without subsidies to or from the governmental funds. However, in FY 2010, \$335,632 was transferred from the Sanitation Fund to the General Fund to fund the shared costs in the Public Works Department of the General Fund.



Details about costs for individual operations are reported on page 13 of this report. Personnel costs are the largest cost component, but these activities also require outside technical services such as testing, leachate disposal, and post-closure care for the landfill. Depreciation of existing facilities is also a significant cost component.



- **Fiduciary Funds.** The City's fiduciary fund is the Cemetery's Perpetual Care Fund. KRS requires that a portion of Cemetery lot sales be set aside to provide funding for the ongoing maintenance of the facility. These resources are reported on pages 15 and 16, but are not available to support any other operations of the City. These funds are invested in long-term financial instruments to provide interest income that may be transferred to the City's operating fund to cover maintenance costs.

BUDGETARY HIGHLIGHTS

A budgetary comparison is presented on page 38 of this report. Total revenues for the year were \$251,341 less than budgeted, but expenditures were \$1,235,395 less than budgeted to provide a budgetary surplus of \$1,122,037 for the year. Property taxes and occupational licenses fees exceeded budget forecasts, but insurance premium taxes and grants were less than expected. Expenditures were less across all departments as the City trimmed costs and services to maintain a balanced budget.

Budget estimates for FY 2011 include revenue increases of \$1 million and appropriations of \$2.3 million. These increases reflect an improving economy in Scott County and conservative estimates for the costs of services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Governmental capital assets increased with the dedication of completed phases in eight different subdivisions, including \$2.1 million in sidewalks, \$3.9 million in roads, and \$2.6 million in storm sewers. Depreciation expense for governmental assets totaled \$3.4 million. Debt service for the City's governmental funds is only 4% of the total annual appropriations. There are, however, several critical capital projects that will likely require long-term financing in the near term.

The Georgetown Municipal Water and Sewer Service funds maintain a debt to equity ratio of 13.6%, with outstanding debt of \$15.8 million and capital assets of \$84.6 million.

Additional information about capital assets and liabilities is outlined on page 29 through 33 of this report.

OTHER SIGNIFICANT ISSUES AFFECTING FINANCIAL POSITION

Like other local governments across the United States, the City of Georgetown continues to balance the community's needs with limited resources during the current economic turmoil. Several vital projects and services are on the drawing board for increased funding as soon as resources become available. The leadership of the City and County organizations are redoubling their efforts to expand job opportunities and strengthen economic development that will enhance resources for community initiatives.

The City is continuing negotiations to complete the sale of the landfill and maintain reasonable costs for tipping fees and solid waste collections. 2011 is the tenth anniversary of the sale and requires a review of the final purchase payments and hosting fees.

REQUEST FOR INFORMATION

Questions regarding this report should be directed to the Director of Finance, Betty A. Pendergrass, CPA, CGFM, 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, Robert Wilhite, at P.O. Box 640, Georgetown, Kentucky 40324.

rfh Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Honorable Everette Varney, Mayor
and the City Council
City of Georgetown, Kentucky

Stephen R. Allen, CPA/PFS
Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA/PFS
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky, as of June 30, 2010, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Georgetown, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 general purpose 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 opinion.

We were unable to obtain written management representations from the prior Mayor. These representations are an essential part of the audit evidence and are necessary to confirm management's understanding of their responsibilities for the financial statements, adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, preventing and detecting fraud, as well as, other necessary representations made during the audit.

In our opinion, except for the effects of the above, 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 the aggregate remaining fund information of the City of Georgetown, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and page 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with **Government Auditing Standards**, we have also issued a report dated January 31, 2011, on our consideration of the City of Georgetown's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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 and 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Georgetown, Kentucky, basic financial statements. The supplemental schedules on pages 40 through 50 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, except for the effects noted in paragraph three, in all material respects, in relation to the basic financial statements taken as a whole.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 31, 2011

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299
www.rfhco.com

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CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental	Business-type		Historic
	Activities	Activities	Total	Georgetown
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,344,630	\$ 529,857	\$ 2,874,487	\$ 13,061
Accounts receivable				
Taxes & licenses	42,809	-	42,809	-
Grants	218,277	-	218,277	-
Accrued interest	31,739	-	31,739	-
Other	1,783,596	101,289	1,884,885	-
Customers, net	21,320	1,146,495	1,167,815	-
Prepaid expenses	2,598	34,831	37,429	-
Internal balances	2,531,636	(2,531,636)	-	-
Restricted Assets				
Cash and cash equivalents	-	2,793,082	2,793,082	-
Accrued interest	-	1,961	1,961	-
Total current assets	6,976,605	2,075,879	9,052,484	13,061
Noncurrent assets				
Investments	1,684,060	27,456	1,711,516	-
Restricted investments	103,140	1,468,746	1,571,886	-
Accrued interest on note receivable	-	227,994	227,994	-
Note receivable	11,000	2,794,318	2,805,318	-
Deferred cost of issuing debt	167,024	-	167,024	-
Other assets	-	263,204	263,204	-
Capital assets				
Construction in progress	-	340,962	340,962	-
Land and easments	10,149,077	3,117,321	13,266,398	-
Depreciable capital assets, net	70,349,150	85,851,335	156,200,485	-
Total noncurrent assets	82,463,451	94,091,336	176,554,787	-
Total assets	89,440,056	96,167,215	185,607,271	13,061
LIABILITIES				
Current liabilities				
Accounts payable	530,689	230,877	761,566	-
Contracts payable	-	108,646	108,646	-
Accrued payroll liabilities	772,965	544,189	1,317,154	1,701
Other accrued liabilities	-	5,143	5,143	-
Accrued interest payable	21,981	101,658	123,639	-
Customer deposits	364,134	187,920	552,054	-
Deferred revenue	60,708	-	60,708	-
Accrued compensated absences, current	69,437	7,528	76,965	-
Current portion of long-term debt	413,250	1,245,985	1,659,235	-
Total current liabilities	2,233,164	2,431,946	4,665,110	1,701
Noncurrent liabilities				
Compensated absences	508,879	388,799	897,678	-
Accrued landfill closure and postclosure care	-	148,000	148,000	-
Bonds and notes payable	-	11,479,772	11,479,772	-
Capital lease obligations	12,598,880	-	12,598,880	-
Total liabilities	15,340,923	14,448,517	29,789,440	1,701
NET ASSETS				
Invested in capital assets, net of related debt	67,486,097	76,583,861	144,069,958	-
Restricted	-	3,581,494	3,581,494	-
Unrestricted	6,613,036	1,553,343	8,166,379	11,360
Total net assets	\$ 74,099,133	\$ 81,718,698	\$ 155,817,831	\$ 11,360

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Historic Georgetown
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,351,340	\$ -	\$ -	\$ -	\$ (2,351,340)	\$ -	\$ (2,351,340)	
Police	4,068,141	46,441	188,927	-	(3,832,773)	-	(3,832,773)	
Fire	4,339,169	-	360,365	-	(3,978,804)	-	(3,978,804)	
Telecommunications	1,157,570	-	643,642	9,900	(504,028)	-	(504,028)	
Public works	1,516,671	59,029	363,588	9,133,569	8,039,515	-	8,039,515	
Building inspection	405,682	137,430	183,885	-	(84,367)	-	(84,367)	
Cemetery	224,909	138,376	37,365	-	(49,168)	-	(49,168)	
Community development	3,288,904	-	634,837	-	(2,654,067)	-	(2,654,067)	
Economic development	112,421	-	66,366	-	(46,055)	-	(46,055)	
Infrastructure depreciation	1,981,663	-	-	-	(1,981,663)	-	(1,981,663)	
Debt service	253,721	-	-	-	(253,721)	-	(253,721)	
Total governmental activities	19,700,191	381,276	2,478,975	9,143,469	(7,696,471)	-	(7,696,471)	
Business type activities								
Water & wastewater treatment plant #1	8,067,031	7,877,873	-	924,126	-	734,968	734,968	
Wastewater treatment plant #2	1,732,870	1,183,261	-	15,358	-	(534,251)	(534,251)	
Water & wastewater treatment plant #3	129,017	131,172	-	-	-	2,155	2,155	
Sanitation	1,677,139	1,924,927	-	-	-	247,788	247,788	
Solid waste management	243,554	-	-	-	-	(243,554)	(243,554)	
Total business-type activities	11,849,611	11,117,233	-	939,484	-	207,106	207,106	
Total primary government	\$ 31,549,802	\$ 11,498,509	\$ 2,478,975	\$ 10,082,953	(7,696,471)	207,106	(7,489,365)	
Component Unit								
Historic Georgetown	\$ 72,225	\$ -	\$ 78,254	\$ -				\$ 6,029
General revenue								
Property and other local taxes					1,658,297	-	1,658,297	-
Licenses, fees, and permits					12,779,286	-	12,779,286	-
Fines and reimbursements					51,054	-	51,054	-
Interest income					71,090	229,239	300,329	-
Loss on disposal of property					(676,075)	-	(676,075)	-
Miscellaneous					202,498	-	202,498	1,071
Total general revenues					14,086,150	229,239	14,315,389	1,071
Contributed capital to proprietary fund					(178,836)	178,836	-	-
Transfers					335,632	(335,632)	-	-
Total general revenues and transfers					14,242,946	72,443	14,315,389	1,071
Change in Net Assets					6,546,475	279,549	6,826,024	7,100
Net assets-beginning					67,552,658	81,439,149	148,991,807	4,260
NET ASSETS-ENDING					\$ 74,099,133	\$ 81,718,698	\$ 155,817,831	\$ 11,360

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

**CITY OF GEORGETOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,445,800	\$ 1,970	\$ 2,447,770
Investments	1,684,060	-	1,684,060
Receivables:			
Customer	-	31,320	31,320
Property taxes and licenses	7,809	-	7,809
Grant	95,167	123,110	218,277
Accrued interest	31,739	-	31,739
Other	1,783,596	-	1,783,596
Prepaid expenses	2,598	-	2,598
Due from other funds	1,894,473	681,694	2,576,167
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 7,945,242	\$ 838,094	\$ 8,783,336
LIABILITIES			
Accounts payable	\$ 362,648	\$ 168,041	\$ 530,689
Accrued payroll liabilities	756,036	16,929	772,965
Deferred revenue	58,524	2,184	60,708
Deposits	362,181	1,953	364,134
Compensated absences	69,437	-	69,437
Due to other funds	-	44,531	44,531
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,608,826	233,638	1,842,464
FUND BALANCE			
Fund Balance			
Reserved	-	-	-
Unreserved	6,336,416	604,456	6,940,872
	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	6,336,416	604,456	6,940,872
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Equity	\$ 7,945,242	\$ 838,094	\$ 8,783,336
	<u> </u>	<u> </u>	<u> </u>
Amounts reported for governmental activities in the statement of net assets are different because :			
Fund balances reported above			\$ 6,940,872
Accounts receivable in governmental activities for the cemetery 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.			11,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			80,498,227
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Long-term property taxes receivable			35,000
Deferred cost of issuing debt			167,024
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Capital leases payable			(13,012,130)
Accrued interest payable			(21,981)
Compensated absences			(508,879)
			<u> </u>
			\$ 74,099,133
			<u> </u>

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property and other local taxes	\$ 1,623,297	\$ -	\$ 1,623,297
Licenses, fees, and permits	12,916,716	-	12,916,716
Fines and reimbursements	51,054	-	51,054
Intergovernmental	1,871,125	809,453	2,680,578
Sales and services	105,470	138,376	243,846
Other income	237,174	43,414	280,588
Total Revenues	16,804,836	991,243	17,796,079
EXPENDITURES			
Current			
General government	1,787,729	-	1,787,729
Public works	1,110,779	316,392	1,427,171
Police	3,678,004	29,527	3,707,531
Fire	3,618,120	504,423	4,122,543
Building inspection	397,528	-	397,528
Telecommunications	1,025,643	-	1,025,643
Business Park	-	112,421	112,421
Community development	3,288,904	-	3,288,904
Cemetery	-	213,405	213,405
Capital outlay	96,772	237,072	333,844
Debt service	542,471	185,999	728,470
Total Expenditures	15,545,950	1,599,239	17,145,189
Excess of Revenues Over (Under) Expenditures	1,258,886	(607,996)	650,890
Other Sources			
Transfers	(136,849)	472,481	335,632
Net change in fund balances	1,122,037	(135,515)	986,522
Fund Balance beginning of year	5,214,379	739,971	5,954,350
Fund Balance end of year	\$ 6,336,416	\$ 604,456	\$ 6,940,872
Net change in fund balances			\$ 986,522
Add: Capital outlay			333,844
Add: Debt service			728,470
Add: Property taxes that do not provide current financial resources			35,000
Add: Capital contributions			8,941,866
Less: Assets contributed to proprietary fund			(178,836)
Add: Change in compensated absences			30,532
Less: Change in accrued interest payable			(18,007)
Less: Change in deferred cost of issuing debt			(7,210)
Less: Amounts collected on long term gas refund receivable			(7,000)
Less: Loss on disposal of capital asset			(676,075)
Less: Depreciation on governmental activities			(3,394,127)
Less: Interest on long term debt			(228,504)
Change in net assets			\$ 6,546,475

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

CITY OF GEORGETOWN, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2010

	Water & Wastewater Treatment Plant No. 1	Wastewater Treatment Plant No. 2	Water & Wastewater Treatment Plant No. 3	Sanitation Fund	Solid Waste Management Fund	Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 529,857	\$ -	\$ -	\$ -	\$ -	\$ 529,857
Accounts receivable			-			-
Customer accounts receivable, net	809,950	138,950	-	197,595	-	1,146,495
Other, net	-	-	-	-	101,289	101,289
Interfund receivable	1,635,257	-	-	-	-	1,635,257
Prepaid expenses	29,629	5,202	-	-	-	34,831
Total unrestricted current assets	3,004,693	144,152	-	197,595	101,289	3,447,729
Restricted assets						
Cash	2,793,082	-	-	-	-	2,793,082
Accrued interest receivable	1,961	-	-	-	-	1,961
Total restricted current assets	2,795,043	-	-	-	-	2,795,043
Total current assets	5,799,736	144,152	-	197,595	101,289	6,242,772
Noncurrent assets						
Investment	-	-	-		27,456	27,456
Restricted investments	1,468,746	-	-	-		1,468,746
Interest receivable	-	-	-	-	227,994	227,994
Note receivable	-	-	-	-	2,794,318	2,794,318
Other Assets	263,204	-	-			263,204
Capital assets						
Construction in progress	338,832	2,130		-	-	340,962
Land and easements	498,561	130,019	70,052	9,000	2,409,689	3,117,321
Buildings and improvements	2,040,463	3,921,744	-	145,847	-	6,108,054
Utility plants in service	106,774,246	17,888,087	2,293,407	-	-	126,955,740
Furniture, fixtures, and equipment	915,174	784,413	-	558,762	129,484	2,387,833
Transportation and work equipment	1,171,913	204,810	1,692	1,154,362	-	2,532,777
Less accumulated depreciation	(37,665,506)	(12,431,645)	(774,957)	(1,253,133)	(7,828)	(52,133,069)
Total noncurrent assets	75,805,633	10,499,558	1,590,194	614,838	5,581,113	94,091,336
Total assets	\$ 81,605,369	\$ 10,643,710	\$ 1,590,194	\$ 812,433	\$ 5,682,402	\$ 100,334,108
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable	\$ 60,649	\$ 119,400	\$ -	\$ 28,232	\$ 22,596	\$ 230,877
Accrued payroll liabilities	495,963	26,169	-	22,057	-	544,189
Other accrued liabilities	-	-	-	-	5,143	5,143
Compensated absences	-	-	-	7,528	-	7,528
Interfund payable	-	1,487,855	147,402	556,212	1,975,424	4,166,893
Contracts payable	108,646	-	-	-	-	108,646
Current portion of long-term debt	1,240,985	-	5,000	-	-	1,245,985
Customer deposits	187,920	-	-	-	-	187,920
Accrued interest payable	101,658	-	-	-	-	101,658
Total current liabilities	2,195,821	1,633,424	152,402	614,029	2,003,163	6,598,839
Long-term Liabilities						
Compensated absences	260,800	72,798	-	55,201	-	388,799
Accrued landfill closure and postclosure care	-	-	-	-	148,000	148,000
Bonds, notes, and loans payable	11,449,772	-	30,000	-	-	11,479,772
Total long-term liabilities	11,710,572	72,798	30,000	55,201	148,000	12,016,571
Total liabilities	13,906,393	1,706,222	182,402	669,230	2,151,163	18,615,410
Net Assets						
Invested in capital assets, net of related debt	61,382,926	10,499,558	1,555,194	614,838	2,531,345	76,583,861
Restricted for debt service	3,974,211	-	-	-	-	3,974,211
Unrestricted	2,341,839	(1,562,070)	(147,402)	(471,635)	999,894	1,160,626
Total net assets	67,698,976	8,937,488	1,407,792	143,203	3,531,239	81,718,698
Total liabilities and net assets	\$ 81,605,369	\$ 10,643,710	\$ 1,590,194	\$ 812,433	\$ 5,682,402	\$ 100,334,108

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
for the year ended June 30, 2010

	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	\$ 3,740,952	\$ -	\$ 67,323	\$ -	\$ -	\$ 3,808,275
Sewer revenue	3,143,267	236,480	60,979	-	-	3,440,726
Sanitation revenue	-	-	-	1,652,216	-	1,652,216
Recycling revenue	-	-	-	134,416	-	134,416
Connection fees	626,100	-	-	-	-	626,100
Commercial user fees	-	930,884	-	-	-	930,884
Miscellaneous	282,451	15,897	2,870	138,295	-	439,513
Penalties	85,103	-	-	-	-	85,103
Total operating revenues	<u>7,877,873</u>	<u>1,183,261</u>	<u>131,172</u>	<u>1,924,927</u>	<u>-</u>	<u>11,117,233</u>
Operating expenses						
Salaries and wages	1,962,630	465,333	14,017	672,031	-	3,114,011
Employee benefits	868,856	183,269	2,961	372,602	-	1,427,688
Purchased water	305,430	-	-	-	-	305,430
Utilities	405,915	119,022	15,517	25,068	5,609	571,131
Supplies	353,834	291,275	5,995	65,009	-	716,113
Maintenance and repairs	292,583	71,574	17,537	85,890	-	467,584
Insurance	88,264	18,218	1,788	12,883	-	121,153
Professional services	162,878	43,085	15,616	57,983	31,221	310,783
Conferences, training, and meetings	54,286	6,612	-	-	-	60,898
Miscellaneous	42,482	471	60	895	-	43,908
Landfill services	-	-	-	201,558	118,739	320,297
Leachate disposal	-	-	-	-	82,158	82,158
Wellhead protection	484	-	-	-	-	484
Depreciation	<u>2,955,215</u>	<u>534,011</u>	<u>53,138</u>	<u>183,220</u>	<u>5,827</u>	<u>3,731,411</u>
Total operating expenses	<u>7,492,857</u>	<u>1,732,870</u>	<u>126,629</u>	<u>1,677,139</u>	<u>243,554</u>	<u>11,273,049</u>
Operating income (loss)	<u>385,016</u>	<u>(549,609)</u>	<u>4,543</u>	<u>247,788</u>	<u>(243,554)</u>	<u>(155,816)</u>
Nonoperating revenues (expenses)						
Interest income	74,693	-	-	-	154,546	229,239
Interest expense	(537,225)	-	(2,388)	-	-	(539,613)
Loss on disposal	-	-	-	-	-	-
Amortization expense	<u>(36,949)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,949)</u>
Total nonoperating revenue (expenses)	<u>(499,481)</u>	<u>-</u>	<u>(2,388)</u>	<u>-</u>	<u>154,546</u>	<u>(347,323)</u>
Income (loss) before capital contributions and transfers	(114,465)	(549,609)	2,155	247,788	(89,008)	(503,139)
Capital contributed						
Capital contributions - general fund	-	-	-	178,836	-	178,836
Developer contributions	822,260	15,358	-	-	-	837,618
Grants	101,866	-	-	-	-	101,866
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,548)</u>	<u>26,916</u>	<u>(335,632)</u>
Change in net assets	<u>809,661</u>	<u>(534,251)</u>	<u>2,155</u>	<u>64,076</u>	<u>(62,092)</u>	<u>279,549</u>
Net assets at beginning of year	<u>66,889,315</u>	<u>9,471,739</u>	<u>1,405,637</u>	<u>79,127</u>	<u>3,593,331</u>	<u>81,439,149</u>
NET ASSETS AT END OF YEAR	<u>\$ 67,698,976</u>	<u>\$ 8,937,488</u>	<u>\$ 1,407,792</u>	<u>\$ 143,203</u>	<u>\$ 3,531,239</u>	<u>\$ 81,718,698</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, 2010

	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						
Receipts from customers	\$ 7,559,862	\$ 1,133,467	\$ 128,302	\$ 1,863,607	\$ -	\$ 10,685,238
Payments to suppliers	(1,657,144)	(503,721)	(17,943)	(473,065)	(100,943)	(2,752,816)
Payments for employee services and benefits	(2,862,104)	(645,643)	(18,695)	(1,005,241)	-	(4,531,683)
Other receipts (payments)	282,451	15,897	2,870	-	-	301,218
Net cash provided by operations	3,323,065	-	94,534	385,301	(100,943)	3,701,957
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	-	-	(362,548)	26,916	(335,632)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(1,423,719)	(15,358)	(82,146)	(22,753)	-	(1,543,976)
Capital contributions	48,609	15,358	-	-	-	63,967
Grants in aid of construction	101,866	-	-	-	-	101,866
Principal paid on capital debt	(1,182,645)	-	(10,000)	-	-	(1,192,645)
Interest paid on capital debt	(578,294)	-	(2,388)	-	-	(580,682)
Net cash (used) by capital and related financing activities	(3,034,183)	-	(94,534)	(22,753)	-	(3,151,470)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	73,544	-	-	-	74,027	147,571
Net cash provided (used) by investing activities	73,544	-	-	-	74,027	147,571
NET INCREASE (DECREASE) IN CASH	362,426	-	-	-	-	362,426
Cash and cash equivalents at beginning of year	2,960,513	-	-	-	-	2,960,513
CASH AT END OF YEAR	<u>\$ 3,322,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,322,939</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 385,016	\$ (549,609)	\$ 4,543	\$ 247,788	\$ (243,554)	\$ (155,816)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,955,215	534,011	53,138	183,220	5,827	3,731,411
Change in assets and liabilities:						
Receivables, net	(46,770)	(33,897)	-	(61,320)	-	(141,987)
Prepaid expense	27,009	5,480	1,174	-	-	33,663
Interfund payable	-	-	-	(20,153)	145,112	124,959
Accounts and other payables	(8,615)	44,015	35,679	(3,626)	(8,328)	59,125
Accrued expenses	-	-	-	39,392	-	39,392
Customer deposits	11,210	-	-	-	-	11,210
Net cash provided by operating activities	<u>\$ 3,323,065</u>	<u>\$ -</u>	<u>\$ 94,534</u>	<u>\$ 385,301</u>	<u>\$ (100,943)</u>	<u>\$ 3,701,957</u>
Supplemental disclosures of cash flow information:						
Noncash capital and related financing activities:						
Capital contributions	\$ 773,651	\$ 15,358	\$ -	\$ 178,836	\$ -	\$ 967,845
Contracts payable for capital items, net	(34,736)	-	-	-	-	(34,736)
Deferred bond cost included with bonds payable	12,647	-	-	-	-	12,647
	<u>\$ 751,562</u>	<u>\$ 15,358</u>	<u>\$ -</u>	<u>\$ 178,836</u>	<u>\$ -</u>	<u>\$ 945,756</u>

The accompanying notes are an integral
part of the financial statements

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 223,649
Accounts receivable	27,397
Accrued interest	753
Investments	<u>255,963</u>

Total assets	<u>507,762</u>
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NET ASSETS HELD IN TRUST

\$ 507,762

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

CITY OF GEORGETOWN, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
for the year ended June 30, 2010

Operating revenues:	
Investment income	<u>\$ 16,970</u>
 Non-operating Revenues (Expenses):	
Investment income (loss), net	-
Transfer to city	<u>(12,636)</u>
 Net increase (decrease)	<u>4,334</u>
 NET ASSETS HELD IN TRUST:	
Beginning of the year	<u>503,428</u>
 End of the year	<u><u>\$ 507,762</u></u>

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, 2010

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 with 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.

Discretely Presented Component Units – The component units column in the government-wide financial statements includes the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component unit is included in the City's reporting entity because the component unit is fiscally dependent on the City.

Historic Georgetown, Inc. ("HGI"), formerly Georgetown Renaissance, Inc. is a legally separate nonprofit entity. However, HGI. is fiscally dependent on the City. HGI does not issue separate financial statements.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity, continued

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.
- The City does not designate management personnel.
- The city does not have the ability to significantly influence operations, and
- Responsibility of the Agency's fiscal condition is outside the direct oversight of the City, and management has determined that there is not a significant degree of financial interdependency for these agencies. These organizations maintain their own accounting records, have separate management and prepare their own financial statements.

The entities not included in these financial statements are:

- Georgetown-Scott County Parks and Recreation Board
- Georgetown-Scott County Planning Commission
- Georgetown-Scott County Ambulance Service
- Georgetown-Scott County Tourism and Convention Commission
- Georgetown Housing Authority
- Georgetown Municipal Airport
- Georgetown-Scott County Revenue Commission, Inc.

B. Basis of Presentation

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No 34, ***"Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"*** which consists of the following:

Management's discussion and analysis (required supplementary information);
Basic Financial Statements
 Government-wide financial statements
 Fund financial statements
 Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements include a statement of net assets and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City. The primary government is reported separately from certain legally separate component units.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity, continued

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or propriety are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures.

The following funds are used by the City of Georgetown:

Governmental Funds

General Fund- The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except for those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for a certain purpose. The City has the following Special Revenue Funds:

1. The **Municipal Aid Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road expenditures.
2. The **Local Government Economic Assistance Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 42.455 to improve the environment for new industry and to improve the quality of life for the residents.
3. The **Gus Wolf Fund** accounts for receipts and disbursements related to providing donations to needy families in Georgetown.
4. The **Drug Forfeiture Fund** accounts for funds received from federal courts related to property seized in drug crimes. These funds are to be used to investigate and prevent further drug related crimes.
5. The **Cemetery Fund** accounts for the proceeds for lot sales and expenditures associated with the operation of the Georgetown Cemetery.
6. The **Main Street Fund** accounts for grant fund related to Main street improvements.
7. The **Cardome Fund** accounts for the proceeds and expenditures of operating a historical facility with in the City, which is used for various community activities.
8. The **Public Safety Fund** accounts for grants from federal and state agencies, which are designated for public safety salaries and equipment.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

Special Revenue Funds, continued

9. The **Special Projects Fund** accounts for the receipt and disbursement of resources used in acquisition and construction of capitol facilities (other than those financed by proprietary funds).
10. The **Business Park Fund** accounts for the receipts and disbursements of resources used in acquisition of land and construction of infrastructure to develop business park, which will enable new businesses to locate 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 proprietary funds:

1. The **Water and Wastewater Treatment Plant # 1** consists of a water filtration plant and distribution system and a sewage treatment plant. This plant services the City's residents and businesses.
2. The **Wastewater Treatment Plant # 2** provides sanitary sewer service to a local manufacturing concern with a small portion of its capacity reserved for residential and commercial users.
3. The **Water and Wastewater Treatment Plant # 3** provides water distribution and sanitary sewer service to the City of Stamping Ground, Kentucky.
4. The **Sanitation Fund** accounts for the activities associated with garbage collections from City residents and businesses.
5. The **Solid Waste Management Fund** accounts for the sale of the City's landfill and the cost associated with closing two landfills are also recorded in his fund.

Fiduciary Funds

Trust Funds - Trust funds were established to account for assets held by the City in trustee capacity for the City of Georgetown Cemetery. The trust fund provides earnings from invested funds for the upkeep of the Cemetery.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus- In the government-wide Statement of Net Assets and Statements of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting, continued

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilized a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or on-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting - In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilized the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. The proprietary funds have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

D. Estimates and Assumptions

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the data of the basic financial statements and the reported amount of revenues and expense during the reporting period. Actual results could differ from the estimates.

E. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 31, 2011, 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, 2010, have not been evaluated by the City.

G. 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.

For the purposes of the proprietary fund's, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less.

Investments are carried at fair value, except for short-term U.S. treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Investments consist of certificates of deposit with the exception of any funds held in a trust.

H. Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Accounts Receivable

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, licenses, fees, and permits, interest earnings, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting, in the same manner as on-exchange transactions.

Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Proprietary receivables from customers are net an allowance for uncollectible accounts \$16,614. The allowance is based upon historical trends and the periodic aging of accounts receivable.

The general fund accounts receivable is net \$72,489 of allowance for uncollectible accounts related to property taxes.

J. Notes Receivable

The City has entered into an agreement to sell its landfill to a private company. The company has issued the City a ten-year note for the purchase price of the landfill.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Notes Receivable, continued

In addition, the City entered into a 7 year agreement with the local natural gas company to assist in the construction of a pipeline to the business park. The City deposited funds with the gas company, which is to be refunded to the City over a 7-year period based on the volume of gas sold to customers' benefiting from the pipeline.

K. 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.

L. Capital Assets

The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated property, which is recorded at the estimated fair value at the date of donation. Expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 assets. Depreciation is provided over the asset's estimated useful lives, using the straight-line method of depreciation.

In the proprietary fund type, expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives using the straight-line method.

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 the same as in the government-wide statements.

The estimated useful lives are as follows:

Buildings	15-40 years
infrastructure	20-50 years
Improvements	15-40 years
Utility plant	15-20 years
Vehicles	5-10 years
Furniture & Equipment	7-10 years

Construction in progress represents construction projects for fixed assets that have not yet been placed in service. Interest expense related to these projects has not been capitalized, as the amount is minimal.

In accordance with GASB Statement No. 34, the City has reported its infrastructure assets retroactively.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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 Assets. 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.

N. Bond Issuance Cost

In the government-wide financial statements bond issuance cost are recorded as an asset and amortized over the life of the bond issue. Within the governmental fund financial statements, bond issuance cost is accounted for as expenditure when the bonds are issued. Within the proprietary fund, bond issuance cost is accounted for in the same manner as in the governmental-wide financial statements.

O. Long-Term Liabilities

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds and notes, capital lease obligations, landfill closure and post-closure care liabilities, and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

P. Equity Classifications

Government-wide financial statements classify equity as net assets and it displayed in three components:

1. *Invested in capital assets, net of related debt* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net assets* consists of net assets with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements reported governmental fund equity as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in government-wide statements.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Revenues, Expenditures and Expenses

Payroll License Fee

The City levies a payroll tax of 1.0% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance License Fee

The City levies an insurance fee of 7% on all insurance sold within the City limits. Insurance companies are required to collect this fee from policyholders and to remit this fee quarterly. The insurance license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee

The City levies an occupational license fee on net profits of all companies, who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes

The City levies a tax on all real and personal property within the City in accordance with State laws. All real and personal property was taxed at \$0.052 and \$0.1254 respectively, per \$100 of assessed value for the year ended June 30, 2010. Motor vehicles were taxed at \$0.168 per \$100 of assessed value. Public utility taxes are not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Water and sewer revenues have been secured by the revenue bonds, which have been issued to construct and make improvements to the utility plants in service.

Non Operating Revenues and Expenses

Governmental funds report all revenues and expenses as operating, except loan proceeds and transfers to other funds. Proprietary funds report all revenues and expenses as operating except interest income, amortization, landfill closure costs, and capital contributions.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds as operating and non-operating.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Revenues, Expenditures and Expenses, continued

Interfund Transfers

Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. In addition, trust funds may invest in uninsured corporate securities.

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.

PRIMARY GOVERNMENT

At June 30, 2010, the City had \$9,796,089 in financial institutions, of which \$2,664,320 was insured by FDIC. The City had \$8,653,363 in collateral pledged to secure the remaining deposits.

COMPONENT UNIT

HGI's bank deposits were entirely covered by federal depositor insurance. The carrying amount of HGI's deposits totaled \$12,285 and the bank balances totaled \$12,421.

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 type of single financial institution.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

2. CASH AND INVESTMENTS (Continued)

The City's investments at June 30, 2010 are as follows:

<u>Type of Investments</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Governmental activities:				
Kentucky Bank:				
Certificate of deposit	\$ 100,000	\$ 100,000	.75%	05/05/2011
Certificate of deposit	619,903	619,903	4.17	08/03/2010
Whitaker Bank:				
Certificate of deposit	354,414	354,414	2.00	10/31/2010
Town & Country Bank:				
Certificate of deposit	609,743	609,743	1.35	08/11/2011
US Bank				
Guaranteed Investment Contract	103,140	103,140	1.47	02/01/2012
	<u>\$ 1,787,200</u>	<u>\$ 1,787,200</u>		
Business-type activities:				
United Bank:				
Certificate of deposit	\$ 483,111	\$ 483,111	4.05%	11/17/2010
Certificate of deposit	27,456	27,456	2.08	06/06/2011
Central Bank of Jefferson County:				
Certificate of deposit	165,257	165,257	1.85	05/05/2012
Central Bank FSB:				
Certificate of deposit	117,391	117,391	1.80	04/12/2011
Central Bank & Trust Company:				
Certificate of deposit	251,127	251,127	1.80	03/26/2011
Town & Country Bank:				
Certificate of deposit	151,194	151,194	4.06	08/01/2010
Certificate of deposit	300,666	300,666	4.06	08/01/2010
	<u>\$ 1,496,202</u>	<u>\$ 1,496,202</u>		

3. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payable balances of June 30, 2010 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other funds</u>
Governmental activities		
General fund	\$ 1,894,473	\$ -
Business park fund	-	15,166
Municipal aid fund	573,639	-
Local government economic assistance fund	49,991	-
Gus Wolf fund	5,589	-
Drug forfeiture fund	23,610	-
Cemetery Fund	19,667	-
Main Street Fund	-	29,365
Public safety fund	9,198	-
Special Projects Fund	-	-
Total governmental activities	<u>2,576,167</u>	<u>44,531</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

3. INTERFUND RECEIVABLES/PAYABLES, (Continued)

	Due from <u>Other Funds</u>	Due to <u>Other funds</u>
Business-type activities		
Water & Wastewater Treatment Plan No. 1	\$ 1,635,257	\$ -
Water & Wastewater Treatment Plan No. 2	-	1,487,855
Water & Wastewater Treatment Plan No. 3	-	147,402
Sanitation fund	-	556,212
Solid waste management fund	-	1,975,424
	<u>1,635,257</u>	<u>4,166,893</u>
Total business-type activities	<u>1,635,257</u>	<u>4,166,893</u>
Total intercompany receivables/payables	<u>\$ 4,211,424</u>	<u>\$ 4,211,424</u>

The City generally maintains one checking account for which all receipts are deposited and disbursement are made. Any deposits or disbursements for funds other than the general fund are processed through the interfund receivable/payable accounts. Other interfund receivable/payable amounts occurred as follows:

- Amounts due from the Cemetery Fund represent advances to that fund from the general fund to offset amounts due from cemetery lot sales, which have not been collected.
- Amounts due from the Solid Waste Management Fund represent amounts due to the General Fund as a result of purchases of land in prior years.
- Amounts due from the Sanitation Fund represents amount due to the General Fund as a result of fixed asset acquisitions.
- Amounts due from the Public Safety Fund represent expenditures for grants programs, which have either not been reimbursed by the grantor or are match funds to be provided by the City.

4. NOTES RECEIVABLE

During fiscal 2000, the City sold the Landfill property for \$5,800,000 with 25% of the sales proceeds allocated to the Scott County Fiscal Court for their interest in the property. Under the sales agreement ("Agreement"), the City is to receive from the Company that acquired the Landfill a total of \$4,350,000 over a 10-year period without interest. In the Agreement, the Company is obligated to make payments against the note balance annually based on \$2.00 per ton of solid waste dumped at the Landfill. The current estimate is that the Landfill will accept 20 tons of solid waste per day. If at the end of the ten-year period the City has not received \$4,350,000 in payments, the remaining balance will be due and payable at that time. The City recorded the sales price of the Landfill as a receivable in Solid Waste Management Fund discounted at a rate of 5%. The carrying value of this receivable at June 30, 2010 was \$3,022,312.

The City has also entered in a 7-year agreement with the local gas company to assist in the construction of a pipeline to the business park. The City deposited \$184,724 in 2005 with the gas company. The deposit is to be refunded to the City based on the volume of gas sold to customers benefiting from the pipeline. Management has estimated at June 30, 2010 that the City will recover \$11,000 under this agreement.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

5. CAPITAL ASSETS

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not depreciated:				
Land and easements	\$ 10,158,077	\$ -	\$ 9,000	\$ 10,149,077
Capital assets that are depreciated:				
Buildings and improvements	28,633,547		1,071,001	27,562,546
Vehicles	4,444,148	-	183,037	4,261,111
Furniture, fixtures & equipment	5,534,116	128,050	157,621	5,504,545
Infrastructure	<u>62,781,907</u>	<u>9,147,660</u>	<u>-</u>	<u>71,929,567</u>
Total capital assets	<u>111,551,795</u>	<u>9,275,710</u>	<u>1,420,659</u>	<u>119,406,846</u>
Less accumulated depreciation				
Buildings and improvements	6,223,656	651,730	280,689	6,594,697
Vehicles	3,022,581	292,901	166,983	3,148,499
Furniture, fixtures & equipment	3,660,464	467,833	118,076	4,010,221
Infrastructure	<u>23,173,539</u>	<u>1,981,663</u>	<u>-</u>	<u>25,155,202</u>
Totals	<u>36,080,240</u>	<u>3,394,127</u>	<u>565,748</u>	<u>38,908,619</u>
	<u>\$ 75,471,555</u>	<u>\$ 5,881,583</u>	<u>\$ 854,911</u>	<u>\$ 80,498,227</u>
Proprietary Activities:				
Land and easements	\$ 3,054,692	\$ 62,629	\$ -	\$ 3,117,321
Construction in progress	350,663	552,950	562,651	340,962
Buildings and improvements	5,948,844	159,210	-	6,108,054
Utility plant in service	124,773,366	2,182,374	-	126,955,740
Furniture, fixtures and equipment	2,328,512	59,321	-	2,387,833
Vehicles and work equipment	<u>2,524,885</u>	<u>7,892</u>	<u>-</u>	<u>2,532,777</u>
Totals	138,980,962	3,024,376	562,651	141,442,687
Less accumulated depreciation	<u>48,401,658</u>	<u>3,731,411</u>	<u>-</u>	<u>52,133,069</u>
	<u>\$ 90,579,304</u>	<u>\$ (707,035)</u>	<u>\$ 562,651</u>	<u>\$ 89,309,618</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 594,143
Public Safety	
Police	\$ 360,610
Fire	216,626
Telecommunications	<u>131,927</u>
Public Works	89,500
Cemetery	11,504
Building inspection	8,154
Infrastructure	<u>1,981,663</u>
	<u>\$ 3,394,127</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

6. LEASE OBLIGATIONS

The City has entered into agreements to construct buildings, develop an industrial park, and purchase vehicles and equipment 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 following is a schedule of property and equipment and outstanding liabilities related to capital lease agreements at June 30, 2010:

Governmental Funds				Lease Payable		
Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Current Portion	Long-Term Portion	Total
Business Park Phase II	\$ 2,325,036	\$ 482,133	\$ 1,842,903	\$ 44,118	\$ 864,735	\$ 908,853
Refinance various	22,804,989	2,600,732	20,204,257	254,091	9,445,632	9,699,723
Aquatics Center	4,276,931	378,926	3,898,005	115,041	2,288,513	2,403,554
	<u>\$ 29,406,956</u>	<u>\$ 3,461,791</u>	<u>\$ 25,945,165</u>	<u>\$ 413,250</u>	<u>\$ 12,598,880</u>	<u>\$ 13,012,130</u>

7. LONG-TERM DEBT

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amount to be repaid from business-type activities:

GOVERNMENTAL ACTIVITIES

Capital Leases

20-year capital lease for the construction and installation of public roads, electric utility lines, telephone lines, cable television lines, water lines, gas lines, and sanitary sewer lines at the Georgetown business Park Phase II. Interest is based on a variable rate. The lease expires December 2025 at which time title to the leasehold improvements is transferred to the City. \$ 908,853

20-year capital lease for the construction of a swimming pool and aquatics center. Interest is based on a variable rate. The lease expires January 2026, at which time the title to the swimming pool and aquatics center is transferred to the City. \$ 2,403,554

25-year capital lease for the refinancing of various City projects. Interest is based on a variable rate. The lease expires September 2033 at which time title to the leasehold improvements of the projects will be transferred to the City. \$ 9,699,723

Total governmental activity debt \$13,012,130

The changes in long-term debt during 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities				
Capitalized leases	\$ 13,389,142	\$ -	\$ (377,012)	\$ 13,012,130
Compensated absences	651,803	-	(73,487)	578,316
	<u>\$ 14,040,945</u>	<u>\$ -</u>	<u>\$ (450,499)</u>	<u>\$ 13,590,446</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

7. LONG-TERM DEBT (Continued)

GOVERNMENTAL ACTIVITIES, continued

The annual debt service requirements to maturity, including principal, interest and fees for capital leases as of June 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Fees</u>	<u>Principal</u>	<u>Total</u>
2011	\$ 35,653	\$ 227,043	\$ 413,250	\$ 675,946
2012	34,521	220,369	429,648	684,538
2013	33,344	212,870	447,473	693,687
2014	32,117	205,211	465,437	702,765
2015	30,842	197,109	484,376	712,327
2016-2020	133,198	854,897	2,732,172	3,720,267
2021-2025	92,605	600,719	3,333,061	4,026,385
2026-2030	49,135	322,842	2,734,417	3,106,394
2031-2034	11,827	72,500	1,972,296	2,056,623
	<u>\$ 453,242</u>	<u>\$ 2,913,560</u>	<u>\$ 13,012,130</u>	<u>\$ 16,378,932</u>

BUSINESS-TYPE ACTIVITIES

	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Revenue bonds:			
Water and Sewer, Series 2003	2.00-4.125%	2023	\$ 3,480,000
Water and Sewer, Series 2003B			
Refunding	2.00-3.500%	2014	1,505,000
Water and Sewer, Series 2007A	4.00-4.375%	2027	6,305,333
Deferred cost of refunding			(47,428)
Total revenue bonds			<u>11,242,905</u>
Notes Payable:			
Kentucky Infrastructure Authority			
Series 2004	2.25-5.25%	2014	35,000
Kentucky Infrastructure Authority			
Subordinated Note, Series 1993	4.00%	2014	<u>1,447,852</u>
Total notes payable			<u>1,482,852</u>
Other long-term obligations:			
Compensated absences			<u>396,327</u>
Total obligations			<u>13,122,084</u>
Less current portion of			
Revenue bonds			847,583
Notes payable			398,402
Compensated absences			<u>7,528</u>
			<u>1,253,513</u>
Total long-term obligations			<u>\$ 11,868,571</u>

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

7. LONG-TERM DEBT (Continued)

BUSINESS-TYPE ACTIVITIES, continued

The changes in long-term debt during 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities				
Revenue bonds	\$ 12,047,425	\$ -	\$ (804,520)	\$ 11,242,905
Notes payable	1,870,977	-	(388,125)	1,482,852
Compensated absences	343,109	53,218	-	396,327
Landfill closure and Post closure care cost	148,000	-	-	148,000
	<u>\$ 14,409,511</u>	<u>\$ 53,218</u>	<u>\$ (1,192,645)</u>	<u>\$ 13,270,084</u>

The annual debt service requirements to maturity, including principal and interest for bonds, notes and capital leases as of June 30, 2010 are as follows:

Fiscal Year	Interest	Principal	Total
2011	\$ 498,447	\$ 1,245,985	\$ 1,744,432
2012	452,425	1,267,999	1,720,424
2013	404,342	1,329,183	1,733,525
2014	353,949	1,157,840	1,511,789
2015	314,958	565,417	880,375
2016-2020	1,222,503	3,184,000	4,406,503
2021-2025	540,407	3,173,750	3,714,157
2026-2027	47,828	801,583	849,411
	<u>\$ 3,834,859</u>	<u>\$ 12,725,757</u>	<u>\$ 16,560,616</u>

Description of Bonds and Notes Payable - The Water and Sewer Revenue Bonds, Series of 1973, 2003A, and 2003B are secured by a pledge of a fixed portion of the gross income and revenues of the water and sewer system other than from Wastewater Treatment Plant No.2. The bonds are subject to redemption prior to maturity at various times, along with a call premium, as more fully described in the ordinance.

The Water and Sewer Revenue Subordinated Note, Series of 2000, and the Kentucky Infrastructure Authority Subordinated Note, Series of 1993, are secured by a second lien on the water and sewer system gross income and revenues, other than from Wastewater Treatment Plant No. 2. The notes are subordinated to the revenue bonds.

The bond and note ordinances require that certain reserves be maintained as follows:

Bond and Interest Revenue- 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 Plan No. 1 and approximated \$998,300 at June 30, 2010. This reserve was fully funded at June 30, 2010.

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 monthly, 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.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010

7. LONG-TERM DEBT (Continued)

BUSINESS-TYPE ACTIVITIES, continued

Note and Interest Reserve - This reserve receives sinking fund payments to meet semi-annual debt service requirements on the subordinated note issued to finance the renovation and expansion of Wastewater Treatment Plant No. 1. The required balance of \$300,666 was fully funded at June 30, 2010.

KIA Loan Reserve - This reserve receives the sinking fund payments to meet the semi-annual debt service requirements on the subordinated note issued to finance the renovation and expansion of Wastewater Treatment Plant No. 1. The reserve has been funded as required.

Construction Fund - Proceeds of the line of credit were placed into the construction reserve and are to be used for water line upgrades, wastewater treatment plant No. 1 improvements, and water treatment plant improvements.

8. CONDUIT DEBT

Revenue Bonds and Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2010 for Revenue Bonds and for Industrial Bonds is not available.

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2010 were levied on November 1, 2009 on the assessed valuation of property, located in the City as the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes are as follows:

Due date for payment of taxes	Upon receipt
Face value amount payment dates	to January 15, 2010
Delinquent date, 15% penalty	January 16, 2010

10. RETIREMENT PLAN

The City of Georgetown is a participating employer 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 separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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.

**CITY OF GEORGETOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2010**

10. RETIREMENT PLAN (Continued)

Contributions – For the year ended June 30, 2010, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2010, participating employers contributed 16.16% of each employee's wages for non-hazardous classifications and 32.97% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 2,726,097	100%
2009	\$ 2,623,221	100%
2008	\$ 2,551,994	100%

11. TRANSFERS

The following operating transfers were made during the year:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General Fund	\$ 335,632	\$ 472,481
Business Park Fund	62,193	-
Cemetery fund	37,365	-
Main Street	14,090	-
Cardome fund	678	-
Public safety fund	<u>358,155</u>	<u>-</u>
	<u>808,113</u>	<u>472,481</u>
Business-type Activities		
Sanitation	-	362,548
Solid Waste Management	<u>26,916</u>	<u>-</u>
	<u>26,916</u>	<u>362,548</u>
	<u>\$ 835,029</u>	<u>\$ 835,029</u>

The following capital asset transfers were made during the year:

Governmental Activities	\$ -	\$ 178,836
Business-type Activities	178,836	-

CITY OF GEORGETOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2010

11. TRANSFERS (Continued)

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

1. The transfer to the Cemetery Fund was made to provide operating funds for the cemetery. In accordance with an interlocal government 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.
2. The transfer to the Business Park Fund was made to cover debt service while the sale of land is in process.
3. The transfer to the Cardome Fund was made to close out the Cardome Fund.
4. The transfer to the Public Safety Fund was made to meet the City's matching requirements related to a Federal grant.
5. The transfer to the Solid Waste Management Fund was made to cover landfill costs.

12. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The following commitments to construct projects and purchase materials have been made by the City as of June 30, 2010:

Governmental Activities	
Asphalt Resurfacing Program	\$ 76,314
Police Vehicles	158,982
Engineering Services	<u>35,400</u>
	<u>270,696</u>
Business-type Activities	
Double Culvert Landfill Pump Station	\$ 2,411,602
Sims Road Landfill Pump Station	<u>628,127</u>
	3,039,729
Less amount to be received as contributed capital	<u>(1,812,635)</u>
	<u>1,227,094</u>
Total commitments	<u>\$ 1,497,790</u>

The City is a defendant in a complaint filed by Georgetown firefighters with the Kentucky Labor Cabinet requesting the City to pay overtime on state provided incentive pay. A ruling in favor of the firefighters' request would result in the City owing anywhere from \$500,000 to \$650,000 in overtime compensation. The City has reserved \$508,904 related to this claim.

The City is 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 effect the City's financial position.

In March 2006, the City and the Kentucky American Water Company (KAWC) entered into an agreement whereby the KAWC would construct at their cost a water line to the business park being developed by the City. The cost of this water line was \$60,678. Terms of the agreement state in part that, "If the revenues paid by the customers on this main extension, either during the three-year period immediately following the initiation of service to the first of such customers on this main extension, or during the four-year period immediately following completion of the main extension, whichever should first occur, are less than the cost of the main extension, then the City shall pay the Company the amount of which such cost exceed the revenues." During 2010 the City reimbursed KAWC for the entire cost of the waterline.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2010

12. SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Continued)

The City entered into a \$3 million line of credit agreement with Kentucky Bank on behalf of the Water and Sewer Service for the purpose of financing wastewater improvements and additions. The line has a term of three years, and an interest rate of 3.56%. There were no draws or payments made during the fiscal year and no balance was outstanding as of June 30, 2010.

13. CONTRIBUTED ASSETS

Contributed assets totaling \$1,016,454 have been reported in the business-type activities statement of revenues, expenses, and changes in net assets. These contributions include \$773,651 of water and sewer lines, which were constructed by developers and were deeded to the Water and Sewer Service and \$63,967 of cash contributions made by various state and local governments and developers. These funds were used to construct various water and sewer projects. In addition, \$178,836 of assets were contributed by the City's governmental activities during 2010 for a transfer of the Recycling department to the Sanitation fund.

The City's governmental activities includes \$8,941,866 of roads, sidewalks and storm sewers donated during the year.

14. ECONOMIC DEPENDENCE

Toyota Motor Manufacturing Company, USA and its subsidiaries provided \$8,786,482 (68%) of the City's license fees and permit revenue and \$61,662 (5.4%) of the City's property tax revenue. The total amount paid by these companies represents 52.7% of the General Fund revenues. In addition, they provided 79% of the operating revenue for the Wastewater Treatment Plan No. 2. Ten customers accounted for \$629,300 (9.14%) of the operating revenues of the Water and Wastewater Treatment Plant No. 1.

15. LANDFILL POST CLOSURE COST

The City is in the process of providing post closure care for the Sims Road landfill site owned by the City. The total recorded liability at June 30, 2010 in connection with this landfill is \$148,000.

The total remaining liability at June 30, 2010 of \$148,000 to provide for the closure of the landfill was funded by a grant agreement in prior years totaling \$1,860,000 from the Commonwealth of Kentucky and one-half of any excess cost will be reimbursed by Scott County Fiscal Court. The City may incur additional post closure cost in future periods due to change in the applicable laws or regulations and technology used in the post closure care.

16. CHARITABLE DONATION AGREEMENT

In December of 2001, the City and Toyota Motor Manufacturing, Kentucky, Inc. ("TMMK") entered into a Charitable Donation Agreement (the "Agreement") whereby TMMK agreed to provide certain charitable contributions to the City for use in the acquisition of certain properties deemed by both parties as suitable for economic development, including open space, scenic and recreational properties as defined in the Agreement. Under the terms of the Agreement, TMMK would reimburse the City 50% of the purchase price of eligible property up to a maximum of \$4,000,000. The City did not receive any payments under this Agreement for the year ended Jun 30, 2010.

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.

CITY OF GEORGETOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2010

19. OPERATING LEASE

During 2009 the City entered into an agreement to lease "Cardome Center" to Cardome Academy Association for \$1. The term of the lease is for 25 years with the ability to renew up to an additional 49 years. Cardome Academy Association may terminate the lease at the end of the 2nd, 5th and 10th year. At the end of the lease all property will revert to the City. The Cardome Center assets are carried on the City's books, net of depreciation for \$3,266,691. Accumulated depreciation of \$1,509,467 has been charged through June 30, 2010.

19. PRIOR PERIOD ADJUSTMENTS

During the year it was determined that assets receivable into the general and business park fund had been misclassified between funds. \$164,964 of receivables were incorrectly recorded in the general fund rather than the business park fund and \$39,662 were incorrectly recorded in the business park fund rather than the general fund. In addition, it was determined that \$113,790 of general fund lease proceeds cash was excluded from the prior year report. It was also determined that the City did not accrue \$60,300 for unemployment insurance payable at June 30, 2009.

In addition, in the prior year Historic Georgetown, Inc., formerly Georgetown Renaissance, Inc. was included as a blended component unit of the City. During the current year it was determined that the entity should be a discretely presented component unit. Beginning net assets and fund balances have been restated as follows:

The effect on the June 30, 2009 General fund balance is as follows:

Fund Balance, June 30, 2009, as previously reported	\$ 5,286,191
Decrease due to receivables/revenue incorrectly recorded	(164,964)
Increase due to receivables/revenue incorrectly excluded	39,662
Increase due to lease proceeds cash not recorded	113,790
Decrease due to unemployment insurance not accrued	<u>(60,300)</u>
Net decrease in fund balance	<u>(71,812)</u>
Fund Balance, June 30, 2009 , as restated	<u>\$ 5,214,379</u>

The effect on the June 30, 2009 non-major governmental fund balance is as follows:

Fund Balance, June 30, 2009, as previously reported	\$ 618,929
Increase due to receivables/revenue incorrectly recorded	164,964
Decrease due to receivables/revenue incorrectly excluded	(39,662)
Decrease in fund balance for removal of Historic Georgetown	<u>(4,260)</u>
Net increase in fund balance	<u>121,042</u>
Fund Balance, June 30, 2009 , as restated	<u>\$ 739,971</u>

During the year it was determined that the Solid Waste Management Fund included \$148,000 of assets that should have been expensed in prior years.

The effect on the June 30, 2009 Solid Waste Management fund balance is as follows:

Fund Balance, June 30, 2009, as previously reported	\$ 3,741,331
Decrease due to overstatement of assets	<u>(148,000)</u>
Fund Balance, June 30, 2009 , as restated	<u>\$ 3,593,331</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GEORGETOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
GENERAL FUND
for the year ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,552,992	\$ 1,552,992	\$ 1,623,297	\$ 70,305
Licenses, fees, and permits	13,089,586	13,089,586	12,916,716	(172,870)
Fines and reimbursements	63,000	63,000	51,054	(11,946)
Intergovernmental	2,176,557	2,176,557	1,871,125	(305,432)
Charges for service	90,819	90,819	105,470	14,651
Other revenue	83,223	83,223	237,174	153,951
Total revenues	17,056,177	17,056,177	16,804,836	(251,341)
Expenditures				
General Government	2,424,125	2,424,125	2,043,054	381,071
Public Works	1,368,517	1,368,517	1,110,779	257,738
Police	3,989,656	3,989,656	3,705,976	283,680
Fire	3,818,150	3,818,150	3,686,920	131,230
City Council	123,224	123,224	114,756	8,468
Building Inspection	500,123	500,123	397,528	102,595
Telecommunications:	1,039,052	1,039,052	1,025,643	13,409
City Clerk	208,180	208,180	172,390	35,790
Community Development	3,310,318	3,310,318	3,288,904	21,414
Total expenditures	16,781,345	16,781,345	15,545,950	1,235,395
Excess of Revenues over (under) Expenditures	274,832	274,832	1,258,886	984,054
Other Financing Sources (Uses)				
Transfers in	335,632	335,632	335,632	-
Transfers out	(610,464)	(445,502)	(472,481)	26,979
	(274,832)	(109,870)	(136,849)	(26,979)
Net change in fund balance	-	164,962	1,122,037	957,075
Fund balance, beginning of year	5,214,379	5,214,379	5,214,379	-
Fund balance, end of year	\$ 5,214,379	\$ 5,379,341	\$ 6,336,416	\$ 957,075

CITY OF GEORGETOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2010

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 this 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 which provides for appropriations to exceed revenues in any one fiscal year in violation of 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 Section 91A.030 of the KRS.
- 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 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, Expenses and Changes in Fund Balance, Budgetary and Actual are the same.

SUPPLEMENTAL INFORMATION

**CITY OF GEORGETOWN, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Gus Wolf Fund	Drug Forfeiture Fund	Cemetery Fund	Main Street Fund	Cardome Fund	Public Safety Fund	Special Projects Fund	Total
ASSETS											
Cash and cash equivalents	\$ -	\$ 1,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 1,970
Receivables:											
Customer	-	-	-	-	-	31,320	-	-	-	-	31,320
Grant	20,837	15,166	3,975	-	-	37,365	39,398	-	6,369	-	123,110
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	573,639	-	49,991	5,589	23,610	19,667	-	-	9,198	-	681,694
Total Assets	<u>\$ 594,476</u>	<u>\$ 17,119</u>	<u>\$ 53,966</u>	<u>\$ 5,589</u>	<u>\$ 23,610</u>	<u>\$ 88,352</u>	<u>\$ 39,398</u>	<u>\$ -</u>	<u>\$ 15,567</u>	<u>\$ 17</u>	<u>\$ 838,094</u>
LIABILITIES											
Accounts payable	\$ 122,449	\$ -	\$ -	\$ -	\$ 550	\$ 34,884	\$ 10,033	\$ -	\$ 125	\$ -	\$ 168,041
Accrued payroll liabilities	-	-	-	-	-	3,573	-	-	13,356	-	16,929
Deferred revenue	-	-	-	-	-	-	-	-	2,167	17	2,184
Deposits	-	1,953	-	-	-	-	-	-	-	-	1,953
Compensated absences	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	15,166	-	-	-	-	29,365	-	-	-	44,531
Total Liabilities	<u>122,449</u>	<u>17,119</u>	<u>-</u>	<u>-</u>	<u>550</u>	<u>38,457</u>	<u>39,398</u>	<u>-</u>	<u>15,648</u>	<u>17</u>	<u>233,638</u>
FUND BALANCE											
Fund Balance											
Reserved	-	-	-	-	-	-	-	-	-	-	-
Unreserved	472,027	-	53,966	5,589	23,060	49,895	-	-	(81)	-	604,456
Total Fund Equity	<u>472,027</u>	<u>-</u>	<u>53,966</u>	<u>5,589</u>	<u>23,060</u>	<u>49,895</u>	<u>-</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>604,456</u>
Total Liabilities and Fund Equity	<u>\$ 594,476</u>	<u>\$ 17,119</u>	<u>\$ 53,966</u>	<u>\$ 5,589</u>	<u>\$ 23,610</u>	<u>\$ 88,352</u>	<u>\$ 39,398</u>	<u>\$ -</u>	<u>\$ 15,567</u>	<u>\$ 17</u>	<u>\$ 838,094</u>

CITY OF GEORGETOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2010

	Municipal Aid Fund	Business Park Fund	Local Government Economic Assistance Fund	Gus Wolf Fund	Drug Forfeiture Fund	Cemetery Fund	Main Street Fund	Cardome Fund	Public Safety Fund	Special Projects Fund	Total
REVENUES											
Intergovernmental	\$ 336,650	\$ 51,744	\$ 14,622	\$ -	\$ 6,579	\$ 37,365	\$ 191,703	\$ -	\$ 170,790	\$ -	\$ 809,453
Interest income	9,400	-	900	-	660	299	-	-	-	-	11,259
Sales and services	-	-	-	-	-	138,376	-	-	-	-	138,376
Other income	-	19,519	-	-	-	12,636	-	-	-	-	32,155
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>346,050</u>	<u>71,263</u>	<u>15,522</u>	<u>-</u>	<u>7,239</u>	<u>188,676</u>	<u>191,703</u>	<u>-</u>	<u>170,790</u>	<u>-</u>	<u>991,243</u>
EXPENDITURES											
Current											
Public works	306,899	-	9,493	-	-	-	-	-	-	-	316,392
Police	-	-	-	-	14,905	-	-	-	14,622	-	29,527
Fire	-	-	-	-	-	-	-	-	504,423	-	504,423
Business park	-	112,421	-	-	-	-	-	-	-	-	112,421
Cemetery	-	-	-	-	-	213,405	-	-	-	-	213,405
Capital outlay	-	-	-	-	9,109	12,270	205,793	-	9,900	-	237,072
Debt Service	-	185,999	-	-	-	-	-	-	-	-	185,999
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>306,899</u>	<u>298,420</u>	<u>9,493</u>	<u>-</u>	<u>24,014</u>	<u>225,675</u>	<u>205,793</u>	<u>-</u>	<u>528,945</u>	<u>-</u>	<u>1,599,239</u>
Excess of Revenues Over (Under) Expenditures	<u>39,151</u>	<u>(227,157)</u>	<u>6,029</u>	<u>-</u>	<u>(16,775)</u>	<u>(36,999)</u>	<u>(14,090)</u>	<u>-</u>	<u>(358,155)</u>	<u>-</u>	<u>(607,996)</u>
Other Sources											
Transfers in (out)	-	62,193	-	-	-	37,365	14,090	678	358,155	-	472,481
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	39,151	(164,964)	6,029	-	(16,775)	366	-	678	-	-	(135,515)
Fund Balance beginning of year	<u>432,876</u>	<u>164,964</u>	<u>47,937</u>	<u>5,589</u>	<u>39,835</u>	<u>49,529</u>	<u>-</u>	<u>(678)</u>	<u>(81)</u>	<u>-</u>	<u>739,971</u>
Fund Balance end of year	<u>\$ 472,027</u>	<u>\$ -</u>	<u>\$ 53,966</u>	<u>\$ 5,589</u>	<u>\$ 23,060</u>	<u>\$ 49,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ 604,456</u>

**CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID FUND
for the year ended June 30, 2010**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 336,286	\$ 336,650	\$ 364
Interest income	<u>5,250</u>	<u>9,400</u>	<u>4,150</u>
 Total Revenues	 <u>341,536</u>	 <u>346,050</u>	 <u>4,514</u>
EXPENDITURES			
Public works			
Street maintenance	<u>706,158</u>	<u>306,899</u>	<u>399,259</u>
 Total Expenditures	 <u>706,158</u>	 <u>306,899</u>	 <u>399,259</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(364,622)</u>	 <u>39,151</u>	 <u>403,773</u>
 Fund Balance beginning of year	 <u>432,876</u>	 <u>432,876</u>	 <u>-</u>
 Fund Balance end of year	 <u><u>\$ 68,254</u></u>	 <u><u>\$ 472,027</u></u>	 <u><u>\$ 403,773</u></u>

CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
BUSINESS PARK FUND
for the year ended June 30, 2010

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ -	\$ 51,744	\$ 51,744
Other income	<u>-</u>	<u>19,519</u>	<u>19,519</u>
Total Revenues	<u>-</u>	<u>71,263</u>	<u>71,263</u>
EXPENDITURES			
Business Park Development			
Materials and service	45,230	112,421	(67,191)
Debt service	<u>233,712</u>	<u>185,999</u>	<u>47,713</u>
Total Expenditures	<u>278,942</u>	<u>298,420</u>	<u>(19,478)</u>
Excess of Revenues Over (Under) Expenditures	<u>(278,942)</u>	<u>(227,157)</u>	<u>51,785</u>
Other Sources			
Transfers in (out)	<u>113,980</u>	<u>62,193</u>	<u>(51,787)</u>
Net change in fund balances	(164,962)	(164,964)	(2)
Fund Balance beginning of year	<u>164,964</u>	<u>164,964</u>	<u>-</u>
Fund Balance end of year	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2)</u></u>

**CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND
for the year ended June 30, 2010**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 20,828	\$ 14,622	\$ (6,206)
Interest income	<u>831</u>	<u>900</u>	<u>69</u>
 Total Revenues	 <u>21,659</u>	 <u>15,522</u>	 <u>(6,137)</u>
EXPENDITURES			
Public works			
Street maintenance	<u>36,548</u>	<u>9,493</u>	<u>27,055</u>
 Total Expenditures	 <u>36,548</u>	 <u>9,493</u>	 <u>27,055</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(14,889)</u>	 <u>6,029</u>	 <u>20,918</u>
 Fund Balance beginning of year	 <u>47,937</u>	 <u>47,937</u>	 <u>-</u>
 Fund Balance end of year	 <u>\$ 33,048</u>	 <u>\$ 53,966</u>	 <u>\$ 20,918</u>

**CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GUS WOLF FUND
for the year ended June 30, 2010**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Other income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Community Development	5,700	-	5,700
Total Expenditures	5,700	-	5,700
Excess of Revenues Over (Under) Expenditures	(5,700)	-	5,700
Fund Balance beginning of year	5,589	5,589	-
Fund Balance end of year	<u>\$ (111)</u>	<u>\$ 5,589</u>	<u>\$ 5,700</u>

CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FORFEITURE FUND
for the year ended June 30, 2010

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 50,000	\$ 6,579	\$ (43,421)
Interest income	<u>1,800</u>	<u>660</u>	<u>(1,140)</u>
 Total Revenues	 <u>51,800</u>	 <u>7,239</u>	 <u>(44,561)</u>
EXPENDITURES			
Police Department			
Materials and service	51,800	14,905	36,895
Capital outlay	<u>-</u>	<u>9,109</u>	<u>(9,109)</u>
 Total Expenditures	 <u>51,800</u>	 <u>24,014</u>	 <u>27,786</u>
 Excess of Revenues Over (Under) Expenditures	 <u>-</u>	 <u>(16,775)</u>	 <u>(16,775)</u>
 Fund Balance beginning of year	 <u>39,835</u>	 <u>39,835</u>	 <u>-</u>
 Fund Balance end of year	 <u>\$ 39,835</u>	 <u>\$ 23,060</u>	 <u>\$ (16,775)</u>

CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND
for the year ended June 30, 2010

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 39,142	\$ 37,365	\$ (1,777)
Interest income	-	299	299
Sales and services	160,000	138,376	(21,624)
Other income	<u>-</u>	<u>12,636</u>	<u>12,636</u>
 Total Revenues	 <u>199,142</u>	 <u>188,676</u>	 <u>(10,466)</u>
EXPENDITURES			
Cemetery			
Personnel services	158,834	115,889	42,945
Materials and services	86,450	97,516	(11,066)
Capital outlay	<u>-</u>	<u>12,270</u>	<u>(12,270)</u>
 Total Expenditures	 <u>245,284</u>	 <u>225,675</u>	 <u>19,609</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(46,142)</u>	 <u>(36,999)</u>	 <u>9,143</u>
 Other Sources			
Transfers in (out)	<u>46,142</u>	<u>37,365</u>	<u>(8,777)</u>
 Net change in fund balances	 -	 366	 366
 Fund Balance beginning of year	 <u>49,529</u>	 <u>49,529</u>	 <u>-</u>
 Fund Balance end of year	 <u><u>\$ 49,529</u></u>	 <u><u>\$ 49,895</u></u>	 <u><u>\$ 366</u></u>

CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAIN STREET FUND
for the year ended June 30, 2010

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 150,000	\$ 191,703	\$ 41,703
Total Revenues	<u>150,000</u>	<u>191,703</u>	<u>41,703</u>
EXPENDITURES			
Main Street			
Capital outlay	<u>185,000</u>	<u>205,793</u>	<u>(20,793)</u>
Total Expenditures	<u>185,000</u>	<u>205,793</u>	<u>(20,793)</u>
Excess of Revenues Over (Under) Expenditures	<u>(35,000)</u>	<u>(14,090)</u>	<u>20,910</u>
Other Sources			
Transfers in (out)	<u>35,000</u>	<u>14,090</u>	<u>(20,910)</u>
Net change in fund balances	-	-	-
Fund Balance beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CARDOME FUND
for the year ended June 30, 2010**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Cardome	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-
Other Sources			
Transfers in (out)	-	678	678
Net change in fund balances	-	678	678
Fund Balance beginning of year	(678)	(678)	-
Fund Balance end of year	\$ (678)	\$ -	\$ 678

**CITY OF GEORGETOWN, KENTUCKY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CARDOME FUND
for the year ended June 30, 2010**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 146,638	\$ 170,790	\$ 24,152
Total Revenues	<u>146,638</u>	<u>170,790</u>	<u>24,152</u>
EXPENDITURES			
Police			
Materials and services		14,622	(14,622)
Fire			
Personnel	568,980	504,423	64,557
Capital outlay	<u>-</u>	<u>9,900</u>	<u>(9,900)</u>
Total Expenditures	<u>568,980</u>	<u>528,945</u>	<u>40,035</u>
Excess of Revenues Over (Under) Expenditures	<u>(422,342)</u>	<u>(358,155)</u>	<u>64,187</u>
Other Sources			
Transfers in (out)	<u>422,342</u>	<u>358,155</u>	<u>(64,187)</u>
Net change in fund balances	-	-	-
Fund Balance beginning of year	<u>(81)</u>	<u>(81)</u>	<u>-</u>
Fund Balance end of year	<u>\$ (81)</u>	<u>\$ (81)</u>	<u>\$ -</u>

**CITY OF GEORGETOWN, KENTUCKY
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 Everette Varney, Mayor
and the City Council
City of Georgetown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Georgetown, Kentucky, (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be material weaknesses in internal control over financial reporting. (2010-1).

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

City of Georgetown's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Georgetown's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 31, 2011

**CITY OF GEORGETOWN, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

FINDING:

2010-1

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Numerous material misstatements were undetected by management during fiscal year 2010. These misstatements resulted from numerous personnel changes in the finance department during fiscal year 2010 and after year end. Due to the personnel changes, the City lacked personnel with the expertise to apply generally accepted accounting principles in preparing the financial statements, including note disclosures and thus, did not have internal control procedures required to take responsibility for the financial statements in conformity with generally accepted accounting principles.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

RESPONSE:

The City has hired a full time Finance Director with governmental expertise to prepare future financial statements for the City.