

**GEORGETOWN-SCOTT COUNTY
REVENUE COMMISSION, INC.**

Report on Audited Financial Statements

For the Year Ended June 30, 2011

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2011

To the Board of Commissioners
Georgetown-Scott County Revenue Commission, Inc.

We have audited the financial statements of the governmental activities of the Georgetown-Scott County Revenue Commission, Inc. for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and government auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Georgetown-Scott County Revenue Commission, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by Georgetown-Scott County Revenue Commission, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Georgetown-Scott County Revenue Commission, Inc. financial statements was:

Management's estimate of the amounts due from taxpayers is based on subsequent collections and a review of the large taxpayers accounts. We evaluated the key factors and assumptions used to develop the estimate of the amounts due from taxpayers in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of amounts due from and to taxing authorities in Note 4 to the financial statements was based on subsequent collections and a review of the large taxpayers accounts.

The disclosure of a significant taxpayer in Note 8 to the financial statements was based on a review of the taxpayer's account and its related entities accounts.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City of Georgetown, Kentucky; Scott County Fiscal Court; Scott County Board of Education, the Board of Commissioners, management, and others within the organization of Georgetown-Scott County Revenue Commission, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP

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MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Georgetown-Scott County Revenue Commission, Inc.

We have audited the accompanying financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. as of and for the year ended June 30, 2011, which comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of Georgetown-Scott County Revenue Commission, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. as of June 30, 2011, and changes in net assets and governmental fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of Georgetown-Scott County Revenue Commission, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information on pages 3 through 4 and 12 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements. The other supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of

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

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

October 24, 2011

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
Management's Discussion and Analysis

The following comments are provided as an overview of the financial activities for the year ended June 30, 2011 to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2011. Please assess these comments in conjunction with the following financial statements and the Independent Auditors' Report.

Introduction

The Governmental Fund Balance Sheet/Statement of Net Assets report the financial information of the Commission in two different ways. The column titled Governmental Fund represents the activities of the Commission accounted for on a modified accrual basis and does not consider the capital assets or prepaid expenses of the Commission. The column titled Statement of Net Assets represents the Net Assets of the Commission, including its capital assets. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities reports the revenues and expenditures of the commissions, including the purchase of capital assets and excluding depreciation of capital assets, and the column titled Statement of Activities reports the receipts and disbursements of the Commission, including depreciation and amortization and excluding capital assets. The adjustments column on both statements provides for reconciliation between the two methods of reporting the activities of the Commission.

Assets

Total assets of the Commission at June 30, 2011 is \$2,542,680, which is a increase of \$193,744 from the prior year. The majority of this increase is due to one manufacturing company's increase in estimated net profit license tax payments made in July 2011. Capital assets total \$52,262 and \$60,035 for the years ended June 30, 2011 and 2010, respectively.

Liabilities

Total liabilities of the Commission at June 30, 2011 is \$2,439,898, all of which are payable from current assets. This is a increase of \$189,646 from the prior year due mainly to one manufacturing company's increase in estimated net profit license tax payments made in July 2011.

Net Assets

Net assets of the Commission are \$102,782 and \$98,684 as of June 30, 2011 and 2010, respectively. Of this amount, \$52,262 and \$60,035, respectively, is invested in capital assets. The remaining balance of \$50,520 and \$38,649 is unrestricted.

Revenues

The activities of the Commission are financed by contributions of the City of Georgetown (40%), the Scott County Fiscal Court (40%), and the Scott County Board of Education (20%), collectively referred to as taxing authorities. These contributions were based upon each entity's share of the budgeted expenses of the Commission. These percentages were based upon the tax rate imposed by the jurisdictions and are set forth in an Interlocal Cooperative Agreement signed November 11, 2003. Total revenues realized by the Commission for the fiscal years ended June 30, 2011 and 2010 were \$373,772 and \$355,007, respectively. Total contributions from the City of Georgetown were \$149,486, from the Scott County Fiscal Court were \$149,486, and the Scott County Board of Education were \$74,726.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
Management's Discussion and Analysis

Expenses


Expenses for the Commission for the years ended June 30, 2011 and 2010 were \$369,674 and \$365,751, respectively. Of this amount, 100% were spent on General Governmental activities.

Year End Financial Position

The increase (decrease) in net assets for years ended June 30, 2011 and 2010 were \$4,098 and \$(10,744), respectively. The 2011 increase was the result of the Commission expending less than budgeted amounts. The 2010 decrease was the result of the Commission expending more than budgeted amounts, the funding of capital assets totaling \$2,795, and depreciation expense.

Budget

A budget for the period July 1, 2010 through June 30, 2011 was adopted by the Commission during its regular meeting on June 24, 2010. The total budgeted revenues were \$373,673, and the total budgeted expenditures were \$373,673. For the fiscal year ending June 30, 2011, the actual revenues were \$373,772, and the actual expenditures were \$369,674. This resulted in a favorable budget variance of \$4,098.



Jeffrey A. Morris, Director

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 138,802	\$	\$ 138,802
Due from taxpayers:			
Occupational license fees	2,230,330		2,230,330
Net profits license fees	106,646		106,646
Penalties and interest	8,886		8,886
Regulated fees	300		300
Prepaid assets		5,454	5,454
Capital assets, net		<u>52,262</u>	<u>52,262</u>
Total assets	<u>\$ 2,484,964</u>	<u>\$ 57,716</u>	<u>\$ 2,542,680</u>
Liabilities			
Accounts payable, other	\$ 6,408	\$	\$ 6,408
Accounts payable, intergovernmental	85,649		85,649
Amounts due to:			
City of Georgetown	919,334		919,334
Scott County Fiscal Court	1,080,530		1,080,530
Scott County Board of Education	<u>347,977</u>		<u>347,977</u>
Total liabilities	<u>\$ 2,439,898</u>	<u>\$</u>	<u>\$ 2,439,898</u>
Fund Balance/Net Assets			
Invested in capital assets, net of related debt		52,262	52,262
Unassigned/Unrestricted	<u>45,066</u>	<u>5,454</u>	<u>50,520</u>
Total fund balance/net assets	<u>\$ 45,066</u>	<u>\$ 57,716</u>	<u>\$ 102,782</u>

Amounts reported in the Governmental Fund balance sheet differ with the reported amounts in the Statement of Net Assets as follows:

Capital assets, net of depreciation totaling \$71,007, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 52,262
Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	<u>5,454</u>
	<u>\$ 57,716</u>

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

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenses:			
Contract labor	\$ 287,691	\$	\$ 287,691
Contractual services	41,008	(3)	41,005
Materials and supplies	29,917	(927)	28,990
Other	4,215		4,215
Depreciation		<u>7,773</u>	<u>7,773</u>
Total expenses	<u>362,831</u>	<u>6,843</u>	<u>369,674</u>
Revenues:			
Contributions:			
City of Georgetown	149,486		149,486
Scott County Fiscal Court	149,486		149,486
Scott County Board of Education	74,726		74,726
Miscellaneous	<u>74</u>		<u>74</u>
Total revenues	<u>373,772</u>		<u>373,772</u>
Net revenues in excess (deficit) of expenses	10,941	(6,843)	4,098
Fund balance/net assets, June 30, 2010	<u>34,125</u>	<u>64,559</u>	<u>98,684</u>
Fund balance/net assets, June 30, 2011	<u><u>\$ 45,066</u></u>	<u><u>\$ 57,716</u></u>	<u><u>\$ 102,782</u></u>

Amounts reported in the Governmental Fund financial statement differ with the Statement of Activities as follows:

The Governmental Fund financial statement reports capital outlays as expenditures while the Statement of Activities reports depreciation of these assets over the life of the assets:

Depreciation expense	\$ (7,773)
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The Governmental Fund financial statement reports prepaid expenditures as current year expenses while the Statement of Activities does not include prepaid assets as expenses

	<u>930</u>
	<u><u>\$ (6,843)</u></u>

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

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

1. Accounting Policies

The Georgetown-Scott County Revenue Commission, Inc. (Commission) was created in 2004 by a joint agreement between the City of Georgetown, Kentucky (City), Scott County Fiscal Court (County), and Scott County Board of Education (School Board) for the purpose of interpreting the license tax provisions of the City, County, and School Board as necessary, and to provide for the collection of license tax revenues.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

Basis of Presentation

Government-Wide Financial Statements. The statement of net assets and statement of activities display information about the Commission as a whole and include the operating fund of the Commission. All operating activities of the Commission are reported as a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Budgetary Control and Encumbrances

Budget Policy. The Commission prepares and approves a budget annually for operating purposes. Budget amendments are made as needed.

Management Estimates

The preparation of financial statements in conformity with U.S. 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the entity through October 24, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

2. 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 Statement of Activities, activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statement presents 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.

Basis of Accounting. In the government-wide Statement of Net Assets and Statement of Activities, 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, governmental 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 or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

3. Assets, Liabilities, and Equity

Cash and Cash Equivalents. Cash and cash equivalents include cash accounts on deposit with the bank.

Accounts Receivable. In the government-wide statements, receivables earned consist of revenues earned at year end and not yet received. In the fund financial statements, receivables consist of revenues earned, which were collected within 60 days of year end. In addition, receivables include taxes due from taxpayers as of June 30, 2011, which were not collected until after June 30, 2011.

The direct write-off method is used for uncollectible accounts. This method is not in accordance with generally accepted accounting principles, but the departure does not have a material effect on the financial statements.

Capital Assets. The accounting treatment of property, plant and equipment (capital assets) is as follows:

Statement of Net Assets. In the statement of net assets, capital assets are valued at historical cost, except for donated assets, which are recorded at their estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation as follows:

<u>Asset Class</u>	<u>Years</u>
Leasehold improvements	20
Equipment	5
Vehicles	3

Fund Financial Statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Statement of Net Assets. Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2011, there is no related debt.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by:
 - i. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - ii. Law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements. Governmental fund equity is classified as fund balance. Fund balance is further classified as:

1. **Nonspendable fund balance** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. **Restricted fund balance** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantor, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. **Committed fund balance** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Commission's highest level of decision making authority. The Commission's highest level of decision making authority is the Board of Commissioners. Any committed fund balance would require the Board of Commissioners to adopt a resolution approving the commitment.
4. **Assigned fund balance** include amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission's Director is authorized to assign the fund balance. The Commission has not adopted formal procedures to show that the Director has assigned the fund balance.
5. **Unassigned fund balance** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

The Commission has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the Commission has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

Revenues

The Commission's revenues consist primarily of operating grants from the City, County, and School Board. The three entities have agreed to reimburse the Commission monthly based on the approved budget of the Commission. The reimbursement rate is 40% by the City and County and 20% by the School Board.

Expenses/Expenditures. In the government-wide statements and fund financial statements, expenses are classified by function.

4. Due from/Due to Tax Authorities

License fee receivables at June 30, 2011 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	<u>Taxing Authority</u>			<u>Total</u>
	<u>City</u>	<u>County</u>	<u>School Board</u>	
Due from taxpayers:				
Net profits license fees	\$ 21,663	\$ 56,297	\$ 28,686	\$ 106,646
Occupational license fees	932,371	1,064,663	233,296	2,230,330
Penalties and interest	2,313	4,365	2,208	8,886
Regulated fees	300			300
Total due from taxpayers	956,647	1,125,325	264,190	2,346,162
License fee collections prior to June 30, 2011 (overpaid), not remitted (reimbursed)	(37,313)	(44,795)	83,787	1,679
Total amounts due to tax authorities, June 30, 2011	<u>\$ 919,334</u>	<u>\$ 1,080,530</u>	<u>\$ 347,977</u>	<u>\$ 2,347,841</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Leasehold improvements	\$ 65,189	\$	\$	\$ 65,189
Furniture and equipment	56,080			56,080
Vehicles	2,000			2,000
	123,269			123,269
Accumulated depreciation	(63,234)	(7,773)		(71,007)
Capital assets, net	<u>\$ 60,035</u>	<u>\$ (7,773)</u>	<u>\$</u>	<u>\$ 52,262</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

6. Concentrations of Credit Risk

Financial instruments which potentially subject the Commission to concentrations of credit risk consist of cash held in one financial institution. The Commission places its cash with high credit quality financial institutions that are FDIC insured. At June 30, 2011, the Commission's funds on deposit with the bank were covered by FDIC insurance.

7. Related Party Activities

The Commission leases space from the Georgetown-Scott County Zoning Board under an informal operating lease agreement for \$12,000, annually. The Georgetown-Scott County Zoning Board is affiliated with the City and County. This lease may be terminated at any time by either party.

8. Significant Taxpayer

A comparison of collections from one company to the total receipts for each taxing authority follows:

	<u>Amounts Provided</u>	<u>Total Receipts</u>	<u>% of Total Receipts</u>
Occupational License Fees:			
City	\$ 5,031,647	\$ 7,753,390	65 %
County	5,298,834	8,914,463	59 %
School Board	877,393	1,891,023	46 %
Net Profits License Fees:			
City	\$ 15,000	\$ 904,273	2 %
County	155,751	1,085,162	14 %
School Board	99,791	646,724	15 %

SUPPLEMENTAL DATA

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund balance, beginning of year	\$ 34,125	\$ 34,125	\$ 34,125	\$
Expenses:				
Contract labor	\$ 293,538	\$ 293,538	\$ 287,691	\$ 5,847
Contractual services	46,645	46,645	41,008	5,637
Materials and supplies	28,390	28,390	29,917	(1,527)
Other	<u>5,100</u>	<u>5,100</u>	<u>4,215</u>	<u>885</u>
Total expenses	<u>373,673</u>	<u>373,673</u>	<u>362,831</u>	<u>10,842</u>
Revenues:				
City of Georgetown	149,469	149,469	149,486	17
Scott County Fiscal Court	149,469	149,469	149,486	17
Scott County Board of Education	74,735	74,735	74,726	(9)
Miscellaneous	<u></u>	<u></u>	<u>74</u>	<u>74</u>
Total revenues	<u>373,673</u>	<u>373,673</u>	<u>373,772</u>	<u>99</u>
Net increase (decrease) in fund balance	<u></u>	<u></u>	<u>10,941</u>	<u>10,941</u>
Fund balance, end of year	<u>\$ 34,125</u>	<u>\$ 34,125</u>	<u>\$ 45,066</u>	<u>\$ 10,941</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2011

Budgetary Accounting

The annual operating budget is prepared and presented on the modified accrual basis of accounting by the Board of Commissioners.

The Commission does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Governmental Revenues, Expenses and Changes in Fund Balance-Budget and Actual are the same.

REQUIRED SUPPLEMENTAL DATA

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX RECEIPTS AND REMITTANCES TO TAX AUTHORITIES
For the Year Ended June 30, 2011

	<u>City of Georgetown</u>	<u>Scott County Fiscal Court</u>	<u>Scott County Board of Education</u>	<u>Total</u>
Prior year unpaid amounts	\$ (26,707.64)	\$ (11,673.58)	\$ 120,200.01	\$ 81,818.79
Receipts:				
Occupational license fees	7,753,389.90	8,914,462.82	1,891,023.05	18,558,875.77
Net profits license fees	904,272.75	1,085,162.27	646,724.31	2,636,159.33
Prior year	857,412.20	1,025,780.05	253,988.41	2,137,180.66
Penalty and interest	31,762.84	36,346.44	33,348.78	101,458.06
Regulated business fees	3,825.00			3,825.00
Interest income	908.66	1,053.82	273.30	2,235.78
	<u>9,551,571.35</u>	<u>11,062,805.40</u>	<u>2,825,357.85</u>	<u>23,439,734.60</u>
Disbursements:				
Collection fees	149,460.00	149,460.00	74,700.00	373,620.00
Refunds:				
Occupational license fees	57,592.28	62,865.13	12,511.90	132,969.31
Net profits license fees	65,470.81	68,981.44	32,108.79	166,561.04
Paid to taxing authorities:				
July	756,014.37	895,666.75	230,869.56	1,882,550.68
August	923,517.72	1,043,962.92	211,229.13	2,178,709.77
September	692,123.66	826,820.42	209,738.33	1,728,682.41
October	652,346.36	759,529.73	190,347.64	1,602,223.73
November	707,942.43	842,589.40	181,485.94	1,732,017.77
December	745,488.95	902,093.50	216,421.33	1,864,003.78
January	823,571.78	953,074.40	200,265.58	1,976,911.76
February	802,459.23	947,709.42	217,100.99	1,967,269.64
March	723,399.67	846,978.40	232,509.22	1,802,887.29
April	912,007.44	1,026,683.69	368,983.54	2,307,674.67
May	734,737.76	847,853.77	194,091.07	1,776,682.60
June	816,044.24	921,657.79	289,407.73	2,027,109.76
	<u>9,562,176.70</u>	<u>11,095,926.76</u>	<u>2,861,770.75</u>	<u>23,519,874.21</u>
Balance due to tax authorities	<u>\$ (37,312.99)</u>	<u>\$ (44,794.94)</u>	<u>\$ 83,787.11</u>	<u>\$ 1,679.18</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES
June 30, 2011

	<u>City of Georgetown</u>	<u>Scott County Fiscal Court</u>	<u>Scott County Board of Education</u>	<u>Total</u>
Balance due tax authorities on collections prior to June 30, 2011	\$ (37,312.99)	\$ (44,794.94)	\$ 83,787.11	\$ 1,679.18
Taxes owed at June 30, 2011, but collected subsequent to June 30, 2011:				
Occupational license fees	932,370.96	1,064,663.28	233,295.67	2,230,329.91
Net profits license fees	21,663.01	56,296.91	28,685.98	106,645.90
Penalty and interest	2,312.78	4,364.79	2,208.32	8,885.89
Regulated business fees	<u>300.00</u>			<u>300.00</u>
Total tax revenues payable, June 30, 2011	<u>\$ 919,333.76</u>	<u>\$1,080,530.04</u>	<u>\$ 347,977.08</u>	<u>\$2,347,840.88</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES
June 30, 2011

	<u>City of Georgetown</u>	<u>Scott County Fiscal Court</u>	<u>Scott County Board of Education</u>	<u>Total</u>
Net profits license fee overpayments which have been paid to taxing authorities	<u>\$ 73,874</u>	<u>\$ 57,404</u>	<u>\$ 31,147</u>	<u>\$ 162,425</u>

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

**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**

The Board of Commissioners
Georgetown-Scott County Revenue Commission, Inc.

We have audited the financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. as of and for the year ended June 30, 2011, which comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements and have issued our report thereon dated October 24, 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 Georgetown-Scott County Revenue Commission, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Georgetown-Scott County Revenue Commission, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Georgetown-Scott County Revenue Commission, Inc.'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 entities financial statements will not be prevented, or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the City of Georgetown, Kentucky; Scott County Fiscal Court; Scott County Board of Education; the Board of Commissioners; management; and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP

October 24, 2011