

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

Report on Audited Financial Statements
For the Year Ended June 30, 2007

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"SM

September 25, 2007

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

We have audited the basic financial statement of Georgetown-Scott County Revenue Commission, Inc. (Commission) for the year ended June 30, 2007 and have issued our report thereon dated September 25, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards

As stated in our engagement letter; our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Georgetown-Scott County Revenue Commission, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the basic financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic 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 basic

financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements were:

1. Management's estimate of depreciation expense and accumulated depreciation, which is based on the estimated useful life of each asset. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.
2. Management's estimate of the amounts receivable for occupational license fee and net profits license fee are based on subsequent collections and management's review of the returns filed by the largest taxpayers within the jurisdiction. We evaluated the key factors in relation to the basic financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Georgetown-Scott County Revenue Commission, Inc.'s financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Georgetown-Scott County Revenue Commission, Inc., either individually or in the aggregate, indicate matters that could have a significant effect on Georgetown-Scott County Revenue Commission, Inc.'s financial reporting process.

Disagreements with Management

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

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 organization's basic financial statements or a determination of the type of auditors' 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.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as Georgetown-Scott County Revenue Commission, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

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, Board of Commission, and management 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.

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP
Lexington, Kentucky

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MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"™

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements for the governmental activities of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2007 and for the year ended June 30, 2007, which comprise the Commission'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 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, 2007 and the 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 September 25, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 11 through 12 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 the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that 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 have been subjected to the auditing procedures applied in the audit of the basic statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
September 25, 2007

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, 2007 and to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2007. 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 disbursements, 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, 2007 is \$5,660,800, which is a decrease of \$1,025,707 from the prior year. The majority of this decrease is due to one manufacturing company's decrease in estimated net profit license tax payments made in July 2007. Capital assets total \$93,441 and \$100,432 for the years ended June 30, 2007 and 2006, respectively.

Liabilities

Total liabilities of the Commission at June 30, 2007 is \$5,400,774, all of which are payable from current assets. This is a decrease of \$1,138,390 from the prior year due mainly to one manufacturing company's decrease in estimated net profit license tax payments made in July 2007.

Net Assets

Net assets of the Commission are \$260,026 and \$147,343 as of June 30, 2007 and 2006, respectively. Of this amount, \$93,441 and \$100,432, respectively, is invested in capital assets. The remaining balance of \$166,585 and \$46,911 is unrestricted.

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

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, 2007 and 2006 were \$505,123 and \$484,320, respectively. Total contributions from the City of Georgetown were \$202,045, from the Scott County Fiscal Court were \$202,045, and the Scott County Board of Education were \$101,023.

Expenses

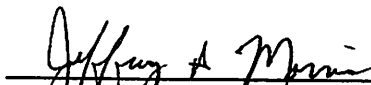
Expenses for the Commission for the years ended June 30, 2007 and 2006 were \$392,440 and \$379,227, respectively. Of this amount, 100% were spent on General Governmental activities.

Year End Financial Position

The increase in net assets for years ended June 30, 2007 and 2006 were \$112,683 and \$105,093, respectively. The 2007 and 2006 increases were the result of the Commission expending less than budgeted amounts and the funding of capital assets totaling \$6,902 and \$46,160, respectively.

Budget

A budget for the period July 1, 2006 through June 30, 2007 was adopted by the Commission during its regular meeting on July 5, 2006. The total budgeted revenues were \$505,113, and the total budgeted expenditures were \$505,113. For the fiscal year ending June 30, 2007, the actual revenues were \$505,123, and the actual expenditures were \$382,642. This resulted in a favorable budget variance of \$122,481.



Jeffrey A. Morris, Director

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 115,556	\$	\$ 115,556
Accounts receivable, intergovernmental	85,116		85,116
Due from taxpayers:			
Occupational license fees	2,468,328		2,468,328
Net profits license fees	2,838,164		2,838,164
Penalties and interest	54,529		54,529
Regulated fees	300		300
Prepaid assets		5,366	5,366
Capital assets, net		93,441	93,441
 Total assets	 <u>\$ 5,561,993</u>	 <u>\$ 98,807</u>	 <u>\$ 5,660,800</u>
 Liabilities			
Accounts payable, trade	\$ 123	\$	\$ 123
Accounts payable, intergovernmental	37,854		37,854
Amounts due to:			
City of Georgetown	2,063,248		2,063,248
Scott County Fiscal Court	2,306,733		2,306,733
Scott County Board of Education	992,816		992,816
 Total liabilities	 <u>\$ 5,400,774</u>	 <u>\$</u>	 <u>\$ 5,400,774</u>
 Fund Balance/Net Assets			
Invested in capital assets, net of related debt	\$	\$ 93,441	\$ 93,441
Unrestricted	161,219	5,366	166,585
 Total fund balance/net assets	 <u>\$ 161,219</u>	 <u>\$ 98,807</u>	 <u>\$ 260,026</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 \$27,033, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 93,441
Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	5,366
	<u>\$ 98,807</u>

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

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, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenses:			
Contract labor	\$ 299,670	\$	\$ 299,670
Contractual services	48,050		48,050
Materials and supplies	23,757	2,807	26,564
Other	4,263		4,263
Depreciation		13,893	13,893
Capital	6,902	(6,902)	
	<u>382,642</u>	<u>9,798</u>	<u>392,440</u>
Total expenses	<u>382,642</u>	<u>9,798</u>	<u>392,440</u>
Revenues:			
Contributions:			
City of Georgetown	202,045		202,045
Scott County Fiscal Court	202,045		202,045
Scott County Board of Education	101,023		101,023
Miscellaneous	10		10
	<u>505,123</u>		<u>505,123</u>
Total revenues	<u>505,123</u>		<u>505,123</u>
Net revenues in excess (deficit) of expenses	122,481	(9,798)	112,683
Fund balance/net assets, June 30, 2006	<u>38,738</u>	<u>108,605</u>	<u>147,343</u>
Fund balance/net assets, June 30, 2007	<u>\$ 161,219</u>	<u>\$ 98,807</u>	<u>\$ 260,026</u>

Amounts reported for 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	\$ (13,893)
Capital expenditures	6,902

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>(2,807)</u>
<u>\$ (9,798)</u>

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

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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 more significant of the Commission's accounting policies are described below.

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.

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.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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, 2007, which were not collected until after June 30, 2007.

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, 2007

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, 2007, 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 reserved and unreserved, with unreserved further split between designated and undesignated.

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.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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, 2007 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	Taxing Authority			Total
	City	County	School Board	
Due from Taxpayers:				
Net profits license fees	\$ 1,096,034	\$ 1,102,171	\$ 639,959	\$ 2,838,164
Occupational license fees	1,003,210	1,147,765	317,353	2,468,328
Penalties and interest	4,838	6,154	43,537	54,529
Regulated fees	300			300
Total due from taxpayers	2,104,382	2,256,090	1,000,849	5,361,321
License fee collections prior to June 30, 2007 (overpaid), not remitted (reimbursed)	(41,134)	50,643	(8,033)	1,476
Total amounts due to tax authorities, June 30, 2007	<u>\$ 2,063,248</u>	<u>\$ 2,306,733</u>	<u>\$ 992,816</u>	<u>\$ 5,362,797</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Leasehold improvements	\$ 65,189	\$	\$	\$ 65,189
Furniture and equipment	46,383	6,902		53,285
Vehicles	2,000			2,000
	113,572	6,902		120,474
Accumulated depreciation	(13,140)	(13,893)		(27,033)
Capital assets, net	<u>\$ 100,432</u>	<u>\$ (6,991)</u>		<u>\$ 93,441</u>

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, 2007, the Commission's funds on deposit with the bank were covered by FDIC insurance up to \$100,000. Funds in excess of the FDIC coverage were collateralized by securities held by the pledging financial institution.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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:

	Amounts Provided	Total Receipts	% of Total Receipts
Occupational License Fees:			
City	\$6,087,066	\$10,015,498	61%
County	6,071,995	11,243,516	54%
School Board	976,299	2,225,243	44%
Net Profits License Fees:			
City	\$3,279,000	\$ 5,169,077	63%
County	3,286,000	5,592,351	59%
School Board	1,643,000	2,782,208	59%

REQUIRED SUPPLEMENTAL DATA

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund balance, beginning of year	\$ 38,738	\$ 38,738	\$ 38,738	\$
Expenses:				
Contract labor	385,943	385,943	299,670	86,273
Contractual services	63,300	63,300	48,050	15,250
Materials and supplies	41,720	41,720	23,757	17,963
Other	5,150	5,150	4,263	887
Capital	9,000	9,000	6,902	2,098
Total expenses	<u>505,113</u>	<u>505,113</u>	<u>382,642</u>	<u>122,471</u>
Revenues:				
City of Georgetown	202,045	202,045	202,045	
Scott County Fiscal Court	202,045	202,045	202,045	
Scott County Board of Education	101,023	101,023	101,023	
Miscellaneous			10	10
Total revenues	<u>505,113</u>	<u>505,113</u>	<u>505,123</u>	<u>10</u>
Net increase (decrease) in fund balance			<u>122,481</u>	<u>122,481</u>
Fund balance, end of year	<u>\$ 38,738</u>	<u>\$ 38,738</u>	<u>\$ 161,219</u>	<u>\$ 122,481</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ended June 30, 2007

BUDGETARY ACCOUNTING AND CONTROL

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.

SUPPLEMENTAL DATA

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**SCHEDULE OF TAX RECEIPTS AND REMITTANCES TO TAX AUTHORITIES****For the Year Ended, June 30, 2007**

	<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	\$ 15,055.77	\$ 22,602.26	\$ 8,823.76	\$ 46,481.79
Receipts:				
Occupational license fees	10,015,497.62	11,243,515.61	2,225,243.48	23,484,256.71
Net profits license fees	5,169,076.95	5,592,350.71	2,782,207.67	13,543,635.33
Penalty & interest	53,500.15	52,585.48	48,376.67	154,462.30
Regulated business fees	2,290.00			2,290.00
Interest income	1,724.10	1,853.58	693.54	4,271.22
	<u>15,242,088.82</u>	<u>16,890,305.38</u>	<u>5,056,521.36</u>	<u>37,188,915.56</u>
Disbursements:				
Collection fees	168,000.00	168,000.00	84,000.00	420,000.00
Refunds:				
Occupational license fees	38,233.77	39,519.81	11,795.78	89,549.36
Net profits license fees	159,418.54	61,309.21	38,474.52	259,202.27
Paid to taxing authorities:				
July	2,407,893.63	2,497,654.58	958,012.47	5,863,560.68
August	840,146.53	1,003,048.48	227,711.10	2,070,906.11
September	1,335,624.86	1,539,570.64	503,598.78	3,378,794.28
October	933,943.70	1,012,340.73	225,589.78	2,171,874.21
November	846,557.12	974,186.52	212,034.99	2,032,778.63
December	2,054,363.85	2,130,879.15	750,739.97	4,935,982.97
January	823,698.49	931,600.83	191,029.23	1,946,328.55
February	855,983.09	991,333.70	212,936.56	2,060,253.35
March	1,388,214.98	1,673,375.39	597,534.65	3,659,125.02
April	1,339,208.77	1,467,400.25	465,886.99	3,272,496.01
May	846,069.72	1,006,267.51	230,333.60	2,082,670.83
June	1,260,921.56	1,365,777.98	363,699.16	2,990,398.70
	<u>15,298,278.61</u>	<u>16,862,264.78</u>	<u>5,073,377.58</u>	<u>37,233,920.97</u>
Balance due to tax authorities	\$ (41,134.02)	\$ 50,642.86	\$ (8,032.46)	\$ 1,476.38

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES
June 30, 2007

	<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, 2007	\$ (41,134.02)	\$ 50,642.86	\$ (8,032.46)	\$ 1,476.38
Taxes owed at June 30, 2007, but collected subsequent to June 30, 2007:				
Occupational license	1,003,210.35	1,147,765.49	317,352.94	2,468,328.78
Net profits license	1,096,033.91	1,102,171.37	639,958.83	2,838,164.11
Penalties and interest	4,837.89	6,153.55	43,537.11	54,528.55
Regulated fees	300.00			300.00
Total tax revenues payable, June 30, 2007	<u>\$ 2,063,248.13</u>	<u>\$ 2,306,733.27</u>	<u>\$ 992,816.42</u>	<u>\$ 5,362,797.82</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES
JUNE 30, 2007

	<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>\$ 811,848</u>	<u>\$ 812,059</u>	<u>\$ 406,284</u>	<u>\$ 2,030,191</u>

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"™

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, 2007, which comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements and have issued our report thereon dated September 25, 2007. 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 the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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
September 25, 2007