

# MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS  
"INNOVATORS OF SOLUTION TECHNOLOGY"™

October 6, 2004

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

In planning and performing our audit of the financial statements of Georgetown-Scott County Revenue Commission, Inc. (Commission) for the period inception (January 1, 2004) through June 30, 2004, we considered the internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Commission's ability to initiate record, process, and report financial data consistent with the assertions of management in the financial statements. Our audit procedures identified the following reportable conditions:

1. The Commission was organized and began operations January 1, 2004. Since that time, the Commission has made great strides in implementing new accounting procedures to ensure that all receipts are properly accounted for and that all tax authorities are properly reimbursed. In order to establish or strengthen internal control, we suggest that management of the Commission establish written policies and procedures pertaining to payroll, personnel, budgeting, maintenance of capital asset records, treasury functions, and maintenance of the general ledger accounting system.
2. The Scott County Fiscal Court purchased a computer for the Commission for a total cost of \$1,128.40. Based on the agreed-upon allocation of expenses related to the Commission, the City of Georgetown should pay \$451.36, and the Scott County Board of Education should pay \$225.68 to the Commission for their portion of the cost of the computer, with the total of these amounts being repaid to the Scott County Fiscal Court.
3. Bonding of employees in the amount of \$200,000 has been obtained by the Commission. Since the Commission's employees can handle funds far in excess of this amount at any given time, we suggest that this amount be increased to cover any amount of funds that employees of the Commission handle at one time.
4. Cash balances in the Commission's checking account sometimes exceed the \$100,000 FDIC insurance coverage. We suggest that the Commission obtain additional collateral for the maximum amount of funds on deposit with banks at any one time.
5. One tax receipt was posted incorrectly as being a receipt due the City of Georgetown, but should have been recorded as a tax receipt due the Scott County Board of Education. As such, the City of Georgetown should reimburse the Scott County Board of Education \$1,274.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

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

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

Report on Audited Financial Statements  
For the Period of Inception (January 1, 2004)  
through June 30, 2004

# MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS

"INNOVATORS OF SOLUTION TECHNOLOGY"<sup>SM</sup>

October 6, 2004

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 period inception January 1, 2004 through June 30, 2004 and have issued our report thereon dated October 6, 2004. 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 that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. 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. We noted no transactions entered into by the Commission during the period 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 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 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, 2004 and for the period of inception (January 1, 2004) through June 30, 2004, 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, 2004 and the changes in net assets and governmental fund balance for the period of inception (January 1, 2004) through June 30, 2004, 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 6, 2004, 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 on pages 2 through 3 is not a required part of the basic financial statements, but is 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 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 supplemental schedules 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  
October 6, 2004



# **GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC. (GSCRC)**

## **Management's Discussion and Analysis**

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The following comments are provided as an overview of the financial activities for the period of inception (January 1, 2004) through June 30, 2004 and to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (GSCRC) as of June 30, 2004. 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 GSCRC in two different ways. The column titled Governmental Fund represents the activities of the GSCRC accounted for on a modified accrual basis and does not consider the capital assets or prepaid expenses of the GSCRC. The column titled Statement of Net Assets represents the Net Assets of the GSCRC, 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 GSCRC. The column titled General Fund reports the receipts and 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 GSCRC, including depreciation and amortization and excluding capital assets. The adjustment column on both statements provides for a reconciliation between the two methods of reporting the activities of the GSCRC.

### **Assets**

Total assets of the GSCRC at June 30, 2004 is \$12,024,949 of which \$10,311 is invested in capital assets, \$36,741 is invested in cash or cash equivalents, and \$11,927,196 represents amounts due from tax payers. The remaining \$50,701 represents amounts owed to GSCRC and prepaid assets.

### **Liabilities**

Total liabilities of the GSCRC at June 30, 2004 is \$12,008,247, all of which are payable from current assets. Of this amount, \$11,963,759 is payable to the various tax authorities, and \$44,488 represents accounts payable at June 30, 2004.

### **Net Assets**

As of June 30, 2004, the GSCRC's net assets exceeded liabilities by \$16,702. Of these net assets, \$10,311 or 62% is invested in capital assets. The remainder is unrestricted.

### **Revenues**

The activities of GSCRC are financed by contributions of the City of Georgetown (40%), the Scott County Fiscal Court (40%), and the Scott County Board of Education (20%) (taxing authorities). These contributions were based upon each entities share of the actual expenses incurred by the GSCRC. 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 GSCRC for the fiscal year ended June 30, 2004 was \$174,386. Total contributions from the City of Georgetown were \$73,151, from the Scott County Fiscal Court were \$67,479, and the Scott County Board of Education were \$33,756.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC. (GSCRC)**  
**Management's Discussion and Analysis**

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**Expenses**

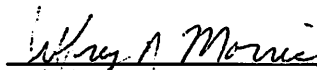
Expenses for the GSCRC for the period inception (January 1, 2004) through June 30, 2004 totaled \$157,684. Of this amount, 100% was spent on General Governmental activities.

**Year End Financial Position**

The increase in net assets for the period inception (January 1, 2004) through June 30, 2004 was \$16,702.

**Budget**

The GSCRC began operation January 1, 2004. Therefore, there was not budget adopted for the period covered by these financial statements. A budget for the fiscal year ending June 30, 2005 was adopted by the Commission during its regular meeting on July 1, 2004.

  
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Jeffery Morris, Director

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash	\$ 36,741	\$	\$ 36,741
Accounts receivable	44,487		44,487
Due from tax authorities:			
Occupational license fees	2,130,645		2,130,645
Net profits license fees	9,796,551		9,796,551
Prepaid assets		6,214	6,214
Capital assets, net		10,311	10,311
 Total assets	 <u>\$ 12,008,424</u>	 <u>\$ 16,525</u>	 <u>\$ 12,024,949</u>
<b>Liabilities</b>			
Accounts payable	\$ 44,488	\$	\$ 44,488
Amounts due to:			
City of Georgetown	4,811,727		4,811,727
Scott County Fiscal Court	4,885,085		4,885,085
Scott County Board of Education	2,266,947		2,266,947
 Total liabilities	 <u>\$ 12,008,247</u>	 <u>\$</u>	 <u>\$ 12,008,247</u>
<b>Fund Balance/Net Assets</b>			
Invested in capital assets, net of related debt		10,311	10,311
Unrestricted	177	6,214	6,391
 Total fund balance/net assets	 <u>\$ 177</u>	 <u>\$ 16,525</u>	 <u>\$ 16,702</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 \$1,146 used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 10,311
Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	6,214
	<u>\$ 16,525</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 Period Inception (January 1, 2004) through June 30, 2004**

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenses:</b>			
Contract labor	\$ 99,458	\$	\$ 99,458
Contractual services	27,831		27,831
Materials and supplies	34,585	(6,214)	28,371
Other	878		878
Depreciation		1,146	1,146
Capital	11,457	(11,457)	
<b>Total expenses</b>	<u>174,209</u>	<u>(16,525)</u>	<u>157,684</u>
<b>Revenues:</b>			
Contributions:			
City of Georgetown	73,151		73,151
Scott County Fiscal Court	67,479		67,479
Scott County Board of Education	33,756		33,756
<b>Total revenue</b>	<u>174,386</u>		<u>174,386</u>
<b>Net revenues in excess of expenses</b>	177	16,525	16,702
<b>Fund balance/net assets, January 1, 2004</b>			
<b>Fund balance/net assets, June 30, 2004</b>	<u>\$ 177</u>	<u>\$ 16,525</u>	<u>\$ 16,702</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	\$ (1,146)
Capital expenditures	11,457

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>6,214</u>
<u>\$ 16,525</u>

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

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Period Inception (January 1, 2004) through June 30, 2004**

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**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 did not prepare a budget for the period inception January 1, 2004 through June 30, 2004. Budgets are to be prepared for future years and approved by the Commission.

**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 Period Inception (January 1, 2004) through June 30, 2004**

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**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 in the operating account on deposit with the Bank. At June 30, 2004, the entire cash balance of the Commission on deposit with the Bank is covered by FDIC insurance.

**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 tax payers as of June 30, 2004, which are not collected until after June 30, 2004.

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, which are recorded at their estimated fair value at the date of donation.

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Period Inception (January 1, 2004) through June 30, 2004**

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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. Equipment of the Commission is depreciated over five years.

***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, 2004, 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. For the period inception (January 1, 2004) through June 30, 2004, the three entities agreed that they would reimburse the Commission for its actual expenses. This reimbursement was to be paid 40% by the City and County and 20% by the School Board. In future years, the three entities have agreed to reimburse the Commission monthly based on the approved budget of the Commission, using the same percentages as noted above.

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

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Period Inception (January 1, 2004) through June 30, 2004**

**4. Due from/Due to Tax Authorities**

License fee receivables at June 30, 2004 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	<b>Taxing Authority</b>			<b>Total</b>
	<b>City</b>	<b>County</b>	<b>School Board</b>	
Due from TaxPayers:				
Net profits license fees	\$ 3,913,294	\$ 3,861,530	\$ 2,021,727	\$ 9,796,551
Occupational license fees	885,146	1,009,739	235,760	2,130,645
Total due from taxpayers	4,798,440	4,871,269	2,257,487	11,927,196
License fee collections prior to June 30, 2004, not remitted	14,561	13,816	8,186	36,563
Collection of license fees posted to the wrong tax authority	(1,274)		1,274	
Total amounts due to tax authorities, June 30, 2004	<u>\$ 4,811,727</u>	<u>\$ 4,885,085</u>	<u>\$ 2,266,947</u>	<u>\$ 11,963,759</u>

**5. Capital Assets**

Capital asset activity for the period inception (January 1, 2004) through June 30, 2004 was as follows:

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2004</b>
Equipment	\$	\$ 11,457	\$	\$ 11,457
Accumulated depreciation		(1,146)		(1,146)
Capital assets, net	<u>\$</u>	<u>\$ 10,311</u>	<u>\$</u>	<u>\$ 10,311</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, 2004, the Commission's funds on deposit with the Bank were covered by FDIC insurance.



## **SUPPLEMENTAL DATA**

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF TAX RECEIPTS AND REMITTANCES TO TAX AUTHORITIES**  
For the Period Inception (January 1, 2004) through June 30, 2004

	<u>City of Georgetown</u>	<u>Scott County Fiscal Court</u>	<u>Scott County Board of Education</u>	<u>Total</u>
<b>Receipts:</b>				
Occupational license fees	\$ 3,521,563.99	\$ 3,969,938.78	\$ 797,490.54	\$ 8,288,993.31
Net Profits license fees	663,331.35	660,860.48	327,890.33	1,652,082.16
Penalty & interest	3,642.54		10.00	3,652.54
Prior year collections	731,241.22	780,301.27	125,474.75	1,637,017.24
New business fees	3,300.00			3,300.00
Annual business fees	39,131.00			39,131.00
Regulated business fees	2,520.00			2,520.00
Interest income	41.59	41.59	20.79	103.97
	<u>4,964,771.69</u>	<u>5,411,142.12</u>	<u>1,250,886.41</u>	<u>11,626,800.22</u>
<b>Disbursements:</b>				
January	236,000.00	259,000.00	79,000.00	574,000.00
February	1,292,500.00	1,476,000.00	277,500.00	3,046,000.00
March	699,500.00	723,900.00	190,700.00	1,614,100.00
April	1,017,000.00	1,157,500.00	351,500.00	2,526,000.00
May	870,301.36	946,259.63	193,879.76	2,010,440.75
June	834,908.86	834,666.51	150,122.04	1,819,697.41
	<u>4,950,210.22</u>	<u>5,397,326.14</u>	<u>1,242,701.80</u>	<u>11,590,238.16</u>
<b>Balance due to tax authorities</b>	<u>\$ 14,561.47</u>	<u>\$ 13,815.98</u>	<u>\$ 8,184.61</u>	<u>\$ 36,562.06</u>

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES**  
**June 30, 2004**

	<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, 2004	\$ 14,561.47	\$ 13,815.98	\$ 8,184.61	\$ 36,562.06
Taxes owed at June 30, 2004, but collected subsequent to June 30, 2004:				
Occupational license	885,145.78	1,009,739.46	235,760.31	2,130,645.55
Net profits license	3,913,293.91	3,861,529.53	2,021,727.25	9,796,550.69
Correction of error in recording payments	<u>(1,274.47)</u>		<u>1,274.47</u>	
Total tax revenues payable, June 30, 2004	<u>\$ 4,811,726.69</u>	<u>\$ 4,885,084.97</u>	<u>\$ 2,266,946.64</u>	<u>\$ 11,963,758.30</u>

**GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.**  
**SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES**  
**JUNE 30, 2004**

	<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	\$ 394,105	\$ 431,162	\$ 238,740	\$ 1,064,007
Estimated net profits tax payments for tax periods ending after June 30, 2004 collected prior to June 30, 2004	<u>22,274</u>	<u>22,274</u>	<u>11,137</u>	<u>55,685</u>
Total unearned revenue, June 30, 2004	<u>\$ 416,379</u>	<u>\$ 453,436</u>	<u>\$ 249,877</u>	<u>\$ 1,119,692</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

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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 June 30, 2004 and for the period inception (January 1, 2004) through June 30, 2004, which comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements and have issued our report thereon dated October 6, 2004. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Georgetown-Scott County Revenue Commission, Inc. in a separate letter dated October 6, 2004.

### 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*.

These reports are 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 used by anyone other than these specified parties.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Miller, Mayer, Sullivan, & Stevens, LLP

October 6, 2004