

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

Report on Audited Financial Statements

For the Year Ended June 30, 2024

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MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Commission as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood, that individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 - 5 and 15-16 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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, economic, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Tax Receipts and Remittances to Tax Authorities, Schedule of Tax Revenues Payable to Tax Authorities, and Schedule of Unearned Revenue Remitted to Tax Authorities (supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the basic 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

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of the Commission'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 solely 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 effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

November 19, 2024

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, 2024 to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2024. Please assess these comments in conjunction with the following financial statements and the Independent Auditor's Report.

Introduction

The Governmental Fund Balance Sheet/Statement of Net Position report the financial information of the Commission in two different ways. The column titled Governmental Funds represents the activities of the Commission accounted for on a modified accrual basis and does not consider the capital assets, prepaid expenses, and right-of-use assets and liabilities of the Commission. The column titled Statement of Net Position represents the Net Position of the Commission, including its capital assets, right-of-use assets, prepaid expenses and long-term debt. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities reports the revenues and expenditures of the Commission. The column titled Governmental Funds reports the receipts and disbursements, including lease proceeds and purchase of capital assets and prepaid expenses, whereas the column titled Statement of Activities reports the receipts and disbursements of the Commission, including depreciation and amortization and excluding expenditures for capital assets and right-of-use 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, 2024 are \$16,817,303 compared to \$7,173,068 at June 30, 2023. This is an increase of \$9,644,235 from the prior year and is due to the increase in receivables in net profits license fees and occupational license fees due from taxpayers as a result of the ongoing economic resurgence in Georgetown-Scott County following the COVID-19 pandemic, as well as the implementation of Tax Administration Diagnostic Assessment Tool (TADAT), applying revenue mobilization principles, and implementing other best practices to maximize collections. Capital assets total \$71,716 and \$76,952 for the years ended June 30, 2024 and 2023, respectively.

Liabilities

Total liabilities of the Commission at June 30, 2024 are \$16,891,818 compared to \$7,249,636 at June 30, 2023. This is an increase of \$9,642,182 from the prior year and is due to the same reason as the change in assets noted above. At June 30, 2024, all liabilities are classified as current, with the exception of right-of use-lease liabilities totaling \$138,743.

Net Position

Net Position of the Commission is \$(74,515) and \$(76,568) as of June 30, 2024 and 2023, respectively. Of this amount, \$36,211 and \$50,182, respectively, is invested in capital assets net of related debt. The remaining balance of \$(110,726) and \$(126,750), respectively, is unrestricted. The increase in net position of \$2,053 is due to a favorable variance in budgeted expenses for operations of the Commission.

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 are based upon each taxing authority's share of the budgeted expenses of the Commission. These percentages 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, 2024 and 2023 were \$1,158,213 and \$977,600, respectively. Total 2024 contributions recognized from the City of Georgetown were \$462,928, from the Scott County Fiscal Court were \$462,928, and the Scott County Board of Education were \$231,464.

Expenses

Expenses for the Commission for the years ended June 30, 2024 and 2023 were \$1,138,485 and \$1,015,425, respectively. Of this amount, 100% was spent on General Governmental activities.

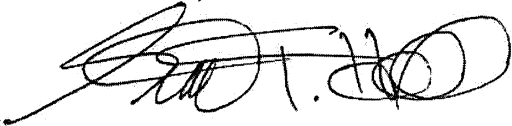
Year End Financial Position

The increase/(decrease) in net position for years ended June 30, 2024 and 2023 was \$2,053 and \$(37,825), respectively.

Budget

A budget for the period July 1, 2023 through June 30, 2024 was adopted by the Commission during its regular meeting on May 25, 2023. The total budgeted revenues were \$1,032,705, and the total budgeted expenditures were \$1,032,705. During the year, the budget was amended to increase the revenues by \$109,965 and expenditures by \$109,965, primarily for increased contractual services for temporary contract labor expenses. For the fiscal year ending June 30, 2024, the actual revenues were \$1,158,213, and the actual expenditures were \$1,138,485. This resulted in an favorable budget variance of \$19,728 primarily due to additional budgeted expenses for temporary contract labor not needing to be fully expended.

Scott Hall, Director

A handwritten signature in black ink, appearing to read 'Scott Hall', is written over a horizontal line.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
June 30, 2024

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current Assets:			
Cash	\$ 684,709	\$	\$ 684,709
Due from taxpayers:			
Occupational license fees	7,597,694		7,597,694
Net profits license fees	8,286,205		8,286,205
Penalties and interest	19,311		19,311
Prepaid assets		33,581	33,581
Right-of-use lease assets		28,870	28,870
Total current assets	<u>16,587,919</u>	<u>62,451</u>	<u>16,650,370</u>
Non-current Assets:			
Right-of-use lease assets		95,217	95,217
Capital assets, net		71,716	71,716
Total non-current assets		<u>166,933</u>	<u>166,933</u>
Total assets	<u><u>\$ 16,587,919</u></u>	<u><u>\$ 229,384</u></u>	<u><u>\$ 16,817,303</u></u>
Liabilities			
Current Liabilities:			
Accounts payable, other	\$ 50	\$	\$ 50
Accounts payable - intergovernmental	802,758		802,758
Amounts due to:			
City of Georgetown	6,470,138		6,470,138
Scott County Fiscal Court	7,002,455		7,002,455
Scott County Board of Education	2,456,825		2,456,825
Right-of-use lease liabilities		20,849	20,849
Total current liabilities	<u>16,732,226</u>	<u>20,849</u>	<u>16,753,075</u>
Non-current Liabilities:			
Right-of-use lease liabilities		138,743	138,743
Total non-current liabilities		<u>138,743</u>	<u>138,743</u>
Total liabilities	<u><u>\$ 16,732,226</u></u>	<u><u>\$ 159,592</u></u>	<u><u>\$ 16,891,818</u></u>
Fund Balance/Net Position			
Invested in capital assets	\$	\$ 36,211	\$ 36,211
Unassigned/Unrestricted net assets	<u>(144,307)</u>	<u>33,581</u>	<u>(110,726)</u>
Total fund balance/net position	<u><u>\$ (144,307)</u></u>	<u><u>\$ 69,792</u></u>	<u><u>\$ (74,515)</u></u>

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

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2024

Amounts reported in the Governmental Fund balance sheet differ with the reported amounts in the statement of net position as follows:

Capital assets, net of depreciation totaling \$61,528, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 71,716
Right-of-use lease assets, net of accumulated amortization of \$103,729, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	124,087
Prepaid assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	33,581
Leases other than short-term leases and long-term leases that transfer ownership are not due and payable in the current period and therefore are not reported in the Governmental Fund balance sheet	<u>(159,592)</u>
	<u>\$ 69,792</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, 2024

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenses			
Contract labor	\$ 802,758	\$	\$ 802,758
Contractual services	241,317	3,703	245,020
Materials and supplies	37,410		37,410
Other	24,313		24,313
Debt service payments	27,531	(20,134)	7,397
Capital purchases	5,156	(5,156)	
Depreciation expense		10,392	10,392
Lease amortization expense		28,870	28,870
Total expenses	<u>1,138,485</u>	<u>17,675</u>	<u>1,156,160</u>
Revenues			
Contributions:			
City of Georgetown	462,928		462,928
Scott County Fiscal Court	462,928		462,928
Scott County Board of Education	231,464		231,464
Miscellaneous	893		893
Total revenues	<u>1,158,213</u>		<u>1,158,213</u>
Excess (deficiency) of revenues over expenses	19,728	(17,675)	2,053
Fund balance/net position, June 30, 2023	<u>(164,035)</u>	<u>87,467</u>	<u>(76,568)</u>
Fund balance/net position, June 30, 2024	<u><u>\$ (144,307)</u></u>	<u><u>\$ 69,792</u></u>	<u><u>\$ (74,515)</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 lives of the assets:

Capital asset purchases	\$ (5,156)
Depreciation expense	10,392

Prepaid expenses are a use of financial resources and therefore are not reported as an asset in the governmental fund financial statements	3,703
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Governmental funds report debt service payments as expenditures:

Right-of-use principal payments	(20,134)
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The Governmental Fund financial statement reports right-of-use lease amortization expense as expenditures while the Statement of Activities reports amortization of these assets over the lives of the assets

<u>28,870</u>
<u><u>\$ 17,675</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, 2024

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 position 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 non-exchange 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 GAAP 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 governmental fund balance sheet/statement of net position 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 Commission through November 19, 2024 (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, 2024

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 position 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 position.

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 position 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 Net Position

Cash. Cash includes cash on hand and 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 45 days of year end. In addition, receivables include taxes due from taxpayers as of June 30, 2024, which were not collected until after June 30, 2024.

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

Right-of-Use Assets. In the statement of net position, right-of-use assets are valued at the amount of initial measurement of the associated lease liability and amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Amortization expense is recorded as an expense in the statement of activities, with accumulated amortization reflected in the statement of net position.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

Statement of Net Position. In the statement of net position, 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 a cost in excess of \$2,500 and an estimated life of greater than one year are capitalized.

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 position.

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
Furniture and equipment	5
Vehicles	5

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.

Long-Term Liabilities. All long-term debt, including lease liabilities, is reported as liabilities in the government-wide statements. Right-to-use lease liabilities are measured at the present value of payments expected to be made during the lease term. Payments are recorded as a reduction of the lease liability and interest expense is reported as expenses in the Statement of Activities. Long-term debt for government funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest reported as debt service expenditures.

Equity Classifications

Statement of Net Position. 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.
- b. Restricted net assets – consists of net assets with constraints placed on their 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. **Non-spendable 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.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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.

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. This revenue is recognized monthly. 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, 2024 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	Tax Authority			Total
	City	County	School Board	
Due from taxpayers:				
Net profits license fees	\$ 3,246,783	\$ 3,355,138	\$ 1,684,284	\$ 8,286,205
Occupational license fees	3,199,967	3,607,729	789,998	7,597,694
Penalties and interest	5,898	7,228	6,185	19,311
Total due from taxpayers	6,452,648	6,970,095	2,480,467	15,903,210
License fee collections prior to June 30, 2024, not remitted	17,490	32,360	(23,642)	26,208
Total amounts due to tax authorities, June 30, 2024	<u>\$ 6,470,138</u>	<u>\$ 7,002,455</u>	<u>\$ 2,456,825</u>	<u>\$ 15,929,418</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

5. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Leasehold improvements	66,062	5,156		71,218
Furniture and equipment	31,191			31,191
Vehicles	30,836			30,836
	128,089	5,156		133,245
Accumulated depreciation	(51,137)	(10,392)		(61,529)
Capital assets, net	<u>\$ 76,952</u>	<u>\$ (5,236)</u>	<u>\$</u>	<u>\$ 71,716</u>

6. Lease - Right-of-Use Assets and Liabilities

In August 2022, the Commission entered into a lease for a copier at a rate of \$294 per month. The lease is effective from August 2022 through July 2027. This lease has been accounted for in accordance with Paragraph 20 of GASB No. 87 which requires the lessee to recognize a lease liability and an intangible right-of-use asset. An estimated incremental borrowing rate of 5.50% (based on prime interest rate at date of lease agreement) was used to calculate the net present value of the lease asset and liability. The lease is being amortized ratably over the expected five-year lease term.

In October 2020, the Commission entered into a lease with Georgetown Municipal Water and Sewer Service, an affiliate of the City, to lease office space at a rate of \$2,000 monthly. Either party may terminate the lease at any time upon 180 days written notice. The lease is effective from October 2020 through September 2025, with optional renewal periods for five additional one-year periods with potential increases in rent not to exceed \$200 per month in any year and not to exceed \$500 per month over the entire five-year extension period. This lease has been accounted for in accordance with Paragraph 20 of GASB No. 87 which requires the lessee to recognize a lease liability and an intangible right-of-use asset. An estimated incremental borrowing rate of 4% (based on prime interest rate of 3.25% at date of lease agreement plus 0.75% in anticipation of prime rate increase for remaining lease term) was used to calculate the net present value of the lease asset and liability. The lease is being amortized ratably over the expected 10-year lease term.

Principal and interest requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 20,849	\$ 6,683	\$ 27,532
2026	23,417	5,915	29,332
2027	25,798	5,034	30,832
2028	25,376	3,124	28,500
2029	27,632	2,068	29,700
Thereafter	36,520	981	37,501
	<u>\$ 159,592</u>	<u>\$ 23,805</u>	<u>\$ 183,397</u>

Weighted Average Interest Rate	4.07%
Weighted Average Lease Term in Years	7.66

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

7. 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. In addition, the bank has pledged certain investments held by the bank to the Commission as collateral. At June 30, 2024, the Commission's funds on deposit with the bank were adequately collateralized.

The collectibility of the receivables could be affected by the economic condition of Georgetown-Scott County.

8. Related Party Activities

Beginning October 2020, the Commission entered into a lease agreement with Georgetown Municipal Water and Sewer Service under a formal lease agreement for \$24,000, annually. Georgetown Municipal Water and Sewer Service is affiliated with the City. Lease payments to the related party were \$24,000 for the year ended June 30, 2024.

In addition, the personnel who work at the Commission are employees of the City. The Commission reimburses the City for the payroll costs associated with the employees. During the year ended June 30, 2024, the Commission's payroll costs totaled \$802,758, of which \$802,758 is accrued at year end. This is included in the accompanying statement of governmental fund balance sheet/statement of net position as accounts payable - intergovernmental.

9. Significant Taxpayer

A comparison of collections from one company and its affiliates 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	\$ 10,690,273	\$ 19,841,452	54 %
County	11,097,543	22,937,921	48 %
School Board	1,996,613	5,059,738	39 %
Net Profits License Fees:			
City	\$ 2,089,624	\$ 5,982,392	35 %
County	2,343,864	6,125,459	38 %
School Board	1,184,221	3,400,944	35 %

REQUIRED SUPPLEMENTARY INFORMATION

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, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund balance, beginning of year	\$ (164,035)	\$ (164,035)	\$ (164,035)	\$
Expenses				
Contract labor	\$ 788,091	\$ 788,091	\$ 802,758	\$ (14,667)
Contractual services	166,532	268,969	241,317	27,652
Materials and supplies	28,791	33,945	37,410	(3,465)
Other	19,044	19,264	24,313	(5,049)
Debt service payments	27,000	27,000	27,531	(531)
Capital purchases	<u>3,247</u>	<u>5,401</u>	<u>5,156</u>	<u>245</u>
Total expenses	<u>1,032,705</u>	<u>1,142,670</u>	<u>1,138,485</u>	<u>4,185</u>
Revenues				
City of Georgetown	413,082	457,068	462,928	5,860
Scott County Fiscal Court	413,082	457,068	462,928	5,860
Scott County Board of Education	206,541	228,534	231,464	2,930
Miscellaneous			<u>893</u>	<u>893</u>
Total revenues	<u>1,032,705</u>	<u>1,142,670</u>	<u>1,158,213</u>	<u>15,543</u>
Net increase (decrease) in fund balance			<u>19,728</u>	<u>19,728</u>
Fund balance, end of year	<u>\$ (164,035)</u>	<u>\$ (164,035)</u>	<u>\$ (144,307)</u>	<u>\$ 19,728</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2024

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, expenditures and changes in fund balance-budget and actual are the same.

SUPPLEMENTAL SCHEDULES

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX RECEIPTS AND REMITTANCES TO TAX AUTHORITIES
For the Year Ended June 30, 2024

	City of Georgetown	Scott County Fiscal Court	Scott County Board of Education	Total
Prior year unpaid amounts	\$ 17,624.78	\$ 32,772.86	\$ (24,070.06)	\$ 26,327.58
Receipts				
Occupational license fees	19,841,452.11	22,937,920.88	5,059,738.36	47,839,111.35
Net profits license fees	5,982,392.38	6,125,458.97	3,400,944.38	15,508,795.73
Penalty and interest	127,603.13	151,481.33	129,080.64	408,165.10
Regulated business fees	4,450.00			4,450.00
Interest income	796.68	899.71	244.12	1,940.51
	<u>25,956,694.30</u>	<u>29,215,760.89</u>	<u>8,590,007.50</u>	<u>63,762,462.69</u>
Disbursements				
Collection fees	469,856.39	469,856.39	234,928.13	1,174,640.91
Kentucky Jobs Retention Act payments	1,200,000.00	1,200,000.00		2,400,000.00
Kentucky Business Incentive payments	33,500.34	33,500.34		67,000.68
Refunds:				
Occupational license fees	205,593.48	203,527.40	10,876.64	419,997.52
Net profits license fees	162,565.09	121,676.24	70,357.82	354,599.15
Paid to taxing authorities:				
July	2,017,186.23	2,392,119.74	609,412.08	5,018,718.05
August	1,443,401.30	1,706,179.28	423,459.98	3,573,040.56
September	2,432,122.97	2,647,708.62	1,086,947.23	6,166,778.82
October	1,996,992.46	2,284,146.25	573,405.56	4,854,544.27
November	1,403,151.46	1,677,706.18	391,087.43	3,471,945.07
December	2,121,790.24	2,406,154.37	737,170.63	5,265,115.24
January	976,197.69	1,283,675.68	438,947.63	2,698,821.00
February	2,150,610.43	2,396,299.58	594,176.05	5,141,086.06
March	2,645,313.40	2,895,299.90	1,006,249.51	6,546,862.81
April	3,532,225.00	3,776,299.33	1,293,644.78	8,602,169.11
May	1,576,877.69	1,832,876.33	540,851.15	3,950,605.17
June	1,589,444.39	1,889,148.25	578,064.83	4,056,657.47
	<u>25,956,828.56</u>	<u>29,216,173.88</u>	<u>8,589,579.45</u>	<u>63,762,581.89</u>
Balance due to tax authorities	\$ <u>17,490.52</u>	\$ <u>32,359.87</u>	\$ <u>(23,642.01)</u>	\$ <u>26,208.38</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES
June 30, 2024

	<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, 2024	\$ 17,490.52	\$ 32,359.87	\$ (23,642.01)	\$ 26,208.38
Taxes owed at June 30, 2024, but collected subsequent to June 30, 2024:				
Occupational license fees	3,199,967.54	3,607,728.85	789,997.66	7,597,694.05
Net profits license fees	3,246,783.06	3,355,138.21	1,684,283.54	8,286,204.81
Penalty and interest	<u>5,896.94</u>	<u>7,228.42</u>	<u>6,185.43</u>	<u>19,310.79</u>
Total tax revenues payable, June 30, 2024	<u>\$ 6,470,138.06</u>	<u>\$ 7,002,455.35</u>	<u>\$ 2,456,824.62</u>	<u>\$ 15,929,418.03</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES
June 30, 2024

	<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>\$ 6,962,431</u>	<u>\$ 7,346,463</u>	<u>\$ 3,667,952</u>	<u>\$ 17,976,846</u>

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

November 19, 2024

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of June 30, 2024

There are no findings or responses for the year ended June 30, 2024.