

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

Report on Audited Financial Statements

For the Year Ended June 30, 2018

CONTENTS

	Page
Independent Auditor's Report.....	1
Required Supplementary Information:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Position.....	5
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.....	6
Notes to Financial Statements.....	7
Required Supplementary Information:	
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	12
Notes to Required Supplementary Information on Budgetary Accounting and Control.....	13
Supplemental Schedules:	
Schedule of Tax Receipts and Remittances to Tax Authorities.....	14
Schedule of Tax Revenues Payable to Tax Authorities.....	15
Schedule of Unearned Revenue Remitted to Tax Authorities.....	16
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 <i>Government Auditing Standards</i>	17
Schedule of Findings and Questioned Costs.....	19

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 Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise Georgetown-Scott County Revenue Commission, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2018, and the respective changes in net position and governmental fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 3 through 4 and 13 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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.

Other 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.

The supplemental schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary 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 December 5, 2018, 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 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
December 5, 2018

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, 2018 to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2018. 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 Fund represents the activities of the Commission accounted for on a modified accrual basis and does not consider the capital assets, prepaid expenses, or long term debt of the Commission. The column titled Statement of Net Position represents the Net Position of the Commission, including its capital 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 debt proceeds and excluding depreciation of capital assets and prepaid expenses, whereas 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, 2018 are \$4,981,823, which is an increase of \$712,857 from the prior year. The majority of this increase was due to the increase in occupational license fees due from taxpayers. Capital assets total \$56,956 and \$33,313 for the years ended June 30, 2018 and 2017, respectively.

Liabilities

Total liabilities of the Commission at June 30, 2018 are \$4,968,678, all of which are payable from current assets. This is a increase of \$808,741 from the prior year and is due mainly to the increase in occupation license fees due from taxpayers.

Net Position

Net Position of the Commission is \$13,145 and \$109,029 as of June 30, 2018 and 2017, respectively. Of this amount, \$27,018 and \$33,313, respectively, is invested in capital assets net of related debt. The remaining balance of \$(13,873) and \$75,716 is unrestricted. The decrease in net position of \$88,589 was due mainly to the write off of \$51,700 due from taxing authorities to the Commission from previous years. The Commission determined that the amounts written off were not needed for the operation of the Commission.

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 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, 2018 and 2017 were \$398,728 and \$399,360, respectively. Total 2018 contributions from the City of Georgetown were \$159,493, from the Scott County Fiscal Court were \$159,493, and the Scott County Board of Education were \$79,742.

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

Expenses

Expenses for the Commission for the years ended June 30, 2018 and 2017 were \$494,612 and \$427,573, respectively. Of this amount, 100% were spent on General Governmental activities.

Year End Financial Position

The decrease in net position for years ended June 30, 2018 and 2017 were \$(95,884) and \$(28,213), respectively. The 2018 decrease was partially due to the write off of \$51,700 due from the taxing authorities related to prior year unreimbursed amounts.

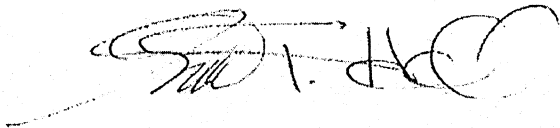
Budget

A budget for the period July 1, 2017 through June 30, 2018 was adopted by the Commission during its regular meeting on June 28, 2017. The total budgeted revenues were \$410,969, and the total budgeted expenditures were \$410,969. During the year, the budget was amended to increase the revenues and expenditures by \$10,098. For the fiscal year ending June 30, 2018, the actual revenues were \$398,728, and the actual expenditures were \$494,612. This resulted in an unfavorable budget variance of \$90,589. The 2018 decrease was partially due to the write off of \$51,700 from the taxing authorities related to prior year unreimbursed amounts.

Other Activities

During the year, the City of Georgetown, Scott County Fiscal Court, Scott County United and a taxpayer, entered into an agreement in which the Commission would reimburse the taxpayer funds they were due under a tax incentive program. These payments are to be made from funds that were collected by the Commission on behalf of the taxing authorities. In addition, \$200,000 of the reimbursement due the taxpayer, will be paid to Scott County United.

Scott Hall, Director



GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
June 30, 2018

	Governmental Funds	Adjustments	Statement of Net Position
Assets			
Cash	\$ 44,163	\$	\$ 44,163
Due from taxpayers:			
Occupational license fees	4,498,913		4,498,913
Net profits license fees	363,102		363,102
Penalties and interest	13,544		13,544
Prepaid assets		5,145	5,145
Capital assets, net		56,956	56,956
Total assets	\$ 4,919,722	\$ 62,101	\$ 4,981,823
Liabilities			
Accounts payable-Intergovernmental	\$ 58,638	\$	\$ 58,638
Amounts due to:			
City of Georgetown	1,895,322		1,895,322
Scott County Fiscal Court	2,285,748		2,285,748
Scott County Board of Education	699,032		699,032
Capital lease payable		29,938	29,938
Total liabilities	\$ 4,938,740	\$ 29,938	\$ 4,968,678
Fund Balance/Net Position			
Invested in capital assets, net of related debt	\$	\$ 27,018	\$ 27,018
Unassigned/Unrestricted	(19,018)	5,145	(13,873)
Total fund balance/net position	\$ (19,018)	\$ 32,163	\$ 13,145

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 \$111,672, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 56,956
Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	5,145
Capital leases are not due and payable in the current period and therefore are not reported in the governmental balance sheet	(29,938)
	\$ 32,163

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, 2018

	Governmental Funds	Adjustments	Statement of Activities
Expenses			
Contract labor	\$ 337,052	\$	\$ 337,052
Contractual services	63,896	(1,000)	62,896
Materials and supplies	28,770		28,770
Other	58,421		58,421
Debt service payments	1,178	(898)	280
Capital purchases	30,836	(30,836)	
Depreciation		7,193	7,193
	520,153	(25,541)	494,612
Revenues			
Contributions:			
City of Georgetown	159,493		159,493
Scott County Fiscal Court	159,493		159,493
Scott County Board of Education	79,742		79,742
	398,728		398,728
Total revenues	398,728		398,728
Net revenues in excess (deficit) of expenses before other financing sources	(121,425)	25,541	(95,884)
Other financing sources:			
Lease proceeds	30,836	(30,836)	
Excess (deficiency) of revenues over expenses and other financing sources	(90,589)	(5,295)	(95,884)
Fund balance/net position, June 30, 2017	71,571	37,458	109,029
Fund balance/net position, June 30, 2018	\$ (19,018)	\$ 32,163	\$ 13,145

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

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

Capital asset purchases	\$ (30,836)
Depreciation expense	7,193

Governmental funds report debt proceeds as revenues and debt service payments as expenditures:

Capital lease proceeds	30,836
Capital lease principal payments	(898)

The Governmental Fund financial statement reports prepaid expenditures as current year expenses while the Statement of Activities includes prepaid expenses as assets

(1,000)
\$ 5,295

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, 2018

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. For the year ended June 30, 2018, management reviewed its prior year estimate of accounts receivable and accounts payable and determined that the estimates were overstated, resulting in an adjustment to these accounts and increased expenses by approximately \$51,800.

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 December 5, 2018 (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, 2018

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 Equity

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 60 days of year end. In addition, receivables include taxes due from taxpayers as of June 30, 2018, which were not collected until after June 30, 2018.

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.

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.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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	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 is reported as liabilities in the government-wide statements. 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 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. As of June 30, 2018, there is no related debt.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by:
 - i. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - ii. Law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

1. **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.
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.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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. 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, 2018 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	<u>Taxing Authority</u>			<u>Total</u>
	<u>City</u>	<u>County</u>	<u>School Board</u>	
Due from taxpayers:				
Net profits license fees	\$ 85,079	\$ 180,673	\$ 97,350	\$ 363,102
Occupational license fees	1,904,359	2,137,095	457,459	4,498,913
Penalties and interest	5,429	4,789	3,326	13,544
Total due from taxpayers	<u>1,994,867</u>	<u>2,322,557</u>	<u>558,135</u>	<u>4,875,559</u>
License fee collections prior to June 30, 2018, not remitted	<u>(99,545)</u>	<u>(36,809)</u>	<u>140,897</u>	<u>4,543</u>
Total amounts due to tax authorities, June 30, 2018	<u>\$ 1,895,322</u>	<u>\$ 2,285,748</u>	<u>\$ 699,032</u>	<u>\$ 4,880,102</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Leasehold improvements	\$ 65,189	\$	\$	\$ 65,189
Furniture and equipment	70,603			70,603
Vehicles	2,000	30,836		32,836
	137,792	30,836		168,628
Accumulated depreciation	<u>(104,479)</u>	<u>(7,193)</u>		<u>(111,672)</u>
Capital assets, net	<u>\$ 33,313</u>	<u>\$ 23,643</u>	<u>\$</u>	<u>\$ 56,956</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

6. Capital Lease Obligations

In 2018, the Commission obtained \$30,836 financing for the purchase of a vehicle which cost \$30,836. The 60-month capital lease agreement requires annual lease payments of \$7,065, including interest at 5.49% per annum. The lease is payable through 2023 and has a balance of \$29,938, and the vehicle has a net book value of \$29,806. The annual debt service requirements to maturity, including principal and interest as of June 30, 2018 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,562	\$ 1,504	\$ 7,066
2020	5,875	1,191	7,066
2021	6,205	861	7,066
2022	6,554	512	7,066
2023	5,742	145	5,887
	<u>\$ 29,938</u>	<u>\$ 4,213</u>	<u>\$ 34,151</u>

7. Concentration 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, 2018, the Commission's funds on deposit with the bank were adequately collateralized.

8. 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.

In addition, the personnel who work at the Commission are employees of the City. The Commission reimburses the City for the payroll cost associated with the employees. During the year ended June 30, 2018, the Commission's payroll costs totaled \$337,052, of which \$58,638 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	\$ 8,376,964	\$ 15,182,805	55 %
County	8,701,412	17,019,639	51 %
School Board	1,489,773	3,453,346	43 %
Net Profits License Fees:			
City	\$ 37,500	\$ 2,035,776	2 %
County	350,000	2,425,757	14 %
School Board	185,000	1,303,712	14 %

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, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund balance, beginning of year	\$ 71,571	\$ 71,571	\$ 71,571	\$
Expenses				
Contract labor	\$ 317,193	\$ 323,981	\$ 337,052	\$ (13,071)
Contractual services	62,939	66,249	63,896	2,353
Materials and supplies	21,935	21,935	28,770	(6,835)
Capital purchases	5,625	5,625	30,836	(25,211)
Debt service payments			1,178	(1,178)
Other	3,277	3,277	58,421	(55,144)
Total expenses	<u>410,969</u>	<u>421,067</u>	<u>520,153</u>	<u>(99,086)</u>
Revenues				
City of Georgetown	158,144	162,183	159,493	(2,690)
Scott County Fiscal Court	158,144	162,183	159,493	(2,690)
Scott County Board of Education	79,072	81,092	79,742	(1,350)
Lease proceeds			30,836	30,836
Miscellaneous	15,609	15,609		(15,609)
Total revenues	<u>410,969</u>	<u>421,067</u>	<u>429,564</u>	<u>8,497</u>
Net increase (decrease) in fund balance			<u>(90,589)</u>	<u>(90,589)</u>
Fund balance, end of year	<u>\$ 71,571</u>	<u>\$ 71,571</u>	<u>\$ (19,018)</u>	<u>\$ (90,589)</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2018

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, 2018

	<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	\$ (105,564.04)	\$ (26,427.91)	\$ 137,760.01	\$ 5,768.06
Receipts				
Occupational license fees	15,182,805.03	17,019,639.14	3,453,345.65	35,655,789.82
Net profits license fees	2,035,775.62	2,425,756.55	1,303,711.94	5,765,244.11
Penalty and interest	134,137.57	146,414.91	96,223.22	376,775.70
Regulated business fees	4,225.00			4,225.00
Interest income	739.35	840.84	206.83	1,787.02
	<u>17,357,682.57</u>	<u>19,592,651.44</u>	<u>4,853,487.64</u>	<u>41,803,821.65</u>
Disbursements				
Collection fees	159,492.80	159,492.80	79,742.40	398,728.00
Kentucky jobs retention act payments	2,533,516.62	2,533,516.62		5,067,033.24
Scott United	120,000.00	120,000.00		240,000.00
Refunds:				
Occupational license fees	80,553.87	76,281.19	16,421.50	173,256.56
Net profits license fees	483,440.28	468,844.82	242,105.73	1,194,390.83
Paid to taxing authorities:				
July	1,080,735.28	1,310,708.18	381,124.27	2,772,567.73
August	1,361,000.78	1,488,860.15	354,436.80	3,204,297.73
September	1,222,433.78	1,408,346.05	393,377.17	3,024,157.00
October	987,252.42	1,194,060.38	364,938.31	2,546,251.11
November	1,295,141.00	1,433,309.88	334,354.54	3,062,805.42
December	703,452.59	831,150.03	259,546.75	1,794,149.37
January	1,307,964.26	1,476,533.75	296,387.77	3,080,885.78
February	1,011,443.53	1,202,623.06	328,319.49	2,542,386.08
March	941,018.53	1,317,547.86	411,896.22	2,670,462.61
April	1,772,244.36	1,996,518.43	660,943.22	4,429,706.01
May	916,576.61	1,064,117.10	269,920.00	2,250,613.71
June	1,375,396.75	1,521,122.00	456,836.62	3,353,355.37
	<u>17,351,663.46</u>	<u>19,603,032.30</u>	<u>4,850,350.79</u>	<u>41,805,046.55</u>
Balance due to tax authorities	<u>\$ (99,544.93)</u>	<u>\$ (36,808.77)</u>	<u>\$ 140,896.86</u>	<u>\$ 4,543.16</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES
June 30, 2018

	City of Georgetown	Scott County Fiscal Court	Scott County Board of Education	Total
Balance due tax authorities on collections prior to June 30, 2018	\$ (99,544.93)	\$ (36,808.77)	\$ 140,896.86	\$ 4,543.16
Taxes owed at June 30, 2018, but collected subsequent to June 30, 2018:				
Occupational license fees	1,904,358.62	2,137,095.01	457,459.05	4,498,912.68
Net profits license fees	85,078.89	180,673.33	97,349.77	363,101.99
Penalty and interest	5,429.24	4,788.58	3,325.87	13,543.69
Total tax revenues payable, June 30, 2018	<u>\$ 1,895,321.82</u>	<u>\$ 2,285,748.15</u>	<u>\$ 699,031.55</u>	<u>\$ 4,880,101.52</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES
June 30, 2018

	<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	\$ 1,178,606	\$ 1,226,011	\$ 657,053	\$ 3,061,670

**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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 5, 2018.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as finding 2018-001 that we consider to be a material weaknesses.

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 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Georgetown-Scott County Revenue Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

December 5, 2018

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of June 30, 2018

Finding 2018-001 Bank accounts were not properly reconciled to the general ledger during the year.

Criteria. Monthly reconciliation of bank statements with the general ledger helps to ensure that the books of the Commission are properly posted.

Cause.The prior year audit adjustments were not posted to the accounting records.

Effect. The bank accounts are being reconciled each month for outstanding deposits and disbursements; however, the reconciliations are not agreed to the general ledger. In addition, there are reconciling items that should not be included as outstanding deposits and disbursements.

Recommendation. Bank accounts should be reconciled and agreed to the general ledger monthly.

Management Response. At the conclusion of the FYE 2016 audit, audit adjustments were posted to the accounting records. These adjustments created an imbalance when trying to tie back to the general ledger after the outstanding deposits and disbursements were reconciled with the monthly bank statements throughout FYE 2017. Management was unable to resolve the GL imbalance. At the conclusion of the FYE 2017 audit, both management and the auditors were unable to resolve the imbalance created after the FYE 2016 audit adjustments were entered into the accounting records. In fear of exacerbating the imbalance, the FYE 2017 audit adjustments were not posted to the accounting records in hopes that the imbalance could be resolved prior to entering those audit adjustments. This was an error on the part of management. We agree with the recommendation in Finding 2018-001. The bank accounts should be reconciled with the bank statements in terms of outstanding deposits and disbursements and should agree (tie back) to the general ledger monthly. We will reach out to our QuickBooks Advisor to assist in the full and complete resolution. These actions will bring all audit adjustments up-to-date and allow us to return to monthly GL agreement after bank reconciliations of outstanding deposits and reimbursements.