

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

Report on Audited Financial Statements

For the Year Ended June 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the Commission'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 risks 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 the Commission as of June 30, 2020, 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.

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 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 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 October 8, 2020, 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
October 8, 2020

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, 2020 to assist the reader in assessment of the financial condition of Georgetown-Scott County Revenue Commission, Inc. (Commission) as of June 30, 2020. 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, 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 purchase 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, 2020 are \$4,750,620, which is an increase of \$183,843 from the prior year. The majority of this increase is due to the net increase in receivables in net profits license fees and occupational license fees due from taxpayers. Because of the COVID-19 pandemic that struck during the year, the taxing authorities elected to delay the date that net profits license fee returns were required to be filed, resulting in an increase of approximately \$1.1 million. In addition, the receivable of occupational license fees decreased approximately \$1 million as many of the employers in the area reduced their workforce or shut down for a time during the pandemic. Capital assets total \$35,943 and \$46,449 for the years ended June 30, 2020 and 2019, respectively.

Liabilities

Total liabilities of the Commission at June 30, 2020 are \$4,732,126, all of which are payable from current assets. This is an increase of \$163,783 from the prior year and is due for the same reason as the change in assets noted above.

Net Position

Net Position of the Commission is \$18,494 and \$(1,566) as of June 30, 2020 and 2019, respectively. Of this amount, \$15,378 and \$20,992, respectively, is invested in capital assets net of related debt. The remaining balance of \$3,116 and \$(22,558), respectively, is unrestricted. The increase in net position of \$20,060 is due mainly to the amount of funds transferred from the taxing authorities for operations 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 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, 2020 and 2019 were \$661,818 and \$480,082, respectively. Total 2020 contributions from the City of Georgetown were

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

\$264,382, from the Scott County Fiscal Court were \$264,382, and the Scott County Board of Education were \$133,054.

Expenses

Expenses for the Commission for the years ended June 30, 2020 and 2019 were \$642,644 and \$495,723, 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, 2020 and 2019 was \$20,060 and \$(14,711), respectively.

Budget

A budget for the period July 1, 2019 through June 30, 2020 was adopted by the Commission during its regular meeting on May 29, 2019. The total budgeted revenues were \$594,823, and the total budgeted expenditures were \$594,823. During the year, the budget was amended to increase the revenues by \$66,996 and expenditures by \$68,084. For the fiscal year ending June 30, 2020, the actual revenues were \$661,818, and the actual expenditures were \$642,644. This resulted in a favorable budget variance of \$20,263.

Other Activities

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, 2020

	Governmental Funds	Adjustments	Statement of Net Position
Assets			
Cash	\$ 199,347	\$	\$ 199,347
Due from taxpayers:			
Occupational license fees	3,026,694		3,026,694
Net profits license fees	1,453,844		1,453,844
Penalties and interest	10,049		10,049
Accounts receivable - Intergovernmental	14,097		14,097
Prepaid assets		10,646	10,646
Capital assets, net		35,943	35,943
Total assets	\$ 4,704,031	\$ 46,589	\$ 4,750,620
Liabilities			
Accounts payable - Intergovernmental	\$ 219,123	\$	\$ 219,123
Amounts due to:			
City of Georgetown	1,771,743		1,771,743
Scott County Fiscal Court	2,076,355		2,076,355
Scott County Board of Education	644,340		644,340
Capital lease payable		20,565	20,565
Total liabilities	\$ 4,711,561	\$ 20,565	\$ 4,732,126
Fund Balance/Net Position			
Invested in capital assets, net of related debt	\$ (7,530)	\$ 15,378	\$ 15,378
Unassigned/Unrestricted	(7,530)	10,646	3,116
Total fund balance/net position	\$ (7,530)	\$ 26,024	\$ 18,494

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 \$119,814, used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	\$ 35,943
Prepaid assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Fund balance sheet	10,646
Capital leases are not due and payable in the current period and therefore are not reported in the Governmental Fund balance sheet	(20,565)
	\$ 26,024

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, 2020

	Governmental Funds	Adjustments	Statement of Activities
Expenses			
Contract labor	\$ 449,514	\$	\$ 449,514
Contractual services	122,646		122,646
Materials and supplies	32,414		32,414
Other	31,015	(6,500)	24,515
Debt service payments	7,055	(4,892)	2,163
Depreciation	10,506	10,506	10,506
Total expenses	642,644	(886)	641,758
Revenues			
Contributions:			
City of Georgetown	264,382		264,382
Scott County Fiscal Court	264,382		264,382
Scott County Board of Education	133,054		133,054
Total revenues	661,818		661,818
Excess (deficiency) of revenues over expenses	19,174	886	20,060
Fund balance/net position, June 30, 2019	(26,704)	25,138	(1,566)
Fund balance/net position, June 30, 2020	\$ (7,530)	\$ 26,024	\$ 18,494

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

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

Depreciation expense	\$ 10,506
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Governmental funds report debt service payments as expenditures:

Capital lease principal payments	(4,892)
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The Governmental Fund financial statement reports prepaid expenditures as current year expenses while the Statement of Activities includes prepaid expenses as assets

	(6,500)
	\$ (886)

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, 2020

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 October 8, 2020 (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.

2. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2020, which were not collected until after June 30, 2020.

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, 2020

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

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2020 include amounts due from taxpayers, which are payable to the tax authorities as follows:

	<u>Tax Authority</u>			<u>Total</u>
	<u>City</u>	<u>County</u>	<u>School Board</u>	
Due from taxpayers:				
Net profits license fees	519,221	607,613	327,010	1,453,844
Occupational license fees	1,233,124	1,449,670	343,900	3,026,694
Penalties and interest	3,708	3,283	3,058	10,049
Total due from taxpayers	1,756,053	2,060,566	673,968	4,490,587
License fee collections prior to June 30, 2020, not remitted	15,690	15,789	(29,628)	1,851
Total amounts due to tax authorities, June 30, 2020	<u>\$ 1,771,743</u>	<u>\$ 2,076,355</u>	<u>\$ 644,340</u>	<u>\$ 4,492,438</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u>		<u>Deletions</u>	<u>Balance</u>	
	<u>July 1, 2019</u>	<u>Additions</u>		<u>June 30, 2020</u>	<u>June 30, 2020</u>
Leasehold improvements	\$ 65,189	\$	\$	\$	65,189
Furniture and equipment	70,602		(10,870)		59,732
Vehicles	30,836				30,836
	166,627		(10,870)		155,757
Accumulated depreciation	(120,178)	(10,506)	10,870		(119,814)
Capital assets, net	<u>\$ 46,449</u>	<u>\$ (10,506)</u>	<u>\$</u>	<u>\$</u>	<u>35,943</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 \$6,167, including interest at 5.49% per annum. The lease is payable through 2023 and has a balance of \$20,565, and the vehicle has a net book value of \$17,472. The annual debt service requirements to maturity, including principal and interest as of June 30, 2020 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,167	\$ 1,000	\$ 6,167
2022	5,458	709	6,167
2023	<u>9,940</u>	<u>357</u>	<u>10,297</u>
	<u>\$ 20,565</u>	<u>\$ 2,066</u>	<u>\$ 22,631</u>

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, 2020, 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

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, 2020, the Commission's payroll costs totaled \$449,514, of which \$219,123 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:

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

	Amounts Provided	Total Receipts	% of Total Receipts
Occupational License Fees:			
City	\$ 8,307,457	\$ 15,304,314	54 %
County	8,687,773	17,330,099	50 %
School Board	1,572,268	3,652,928	43 %
Net Profits License Fees:			
City	\$ 9,500	\$ 1,482,435	1 %
County	280,000	2,062,893	14 %
School Board	140,000	1,143,031	12 %

10. Contingencies

The Commission expects to pursue legal action subsequent to year-end against a delinquent taxpayer who did not withhold or remit occupational license fees on 85 employees for multiple years and has indicated that these license fees will not be paid. It is likely that expert legal counsel will be required regarding jurisdictional issues, at the Commission's cost; however the Commission will seek to have the delinquent taxpayer pay legal and court costs as part of the lawsuit. The Commission estimates the delinquent taxpayer's outstanding liability could exceed \$500,000. The likelihood and amount of this potential lawsuit cannot be estimated and has not been reflected in the financial statements. In addition, any proceeds, less actual legal costs paid by the Commission, would be payable to the tax authorities upon receipt.

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, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund balance, beginning of year	\$ (26,704)	\$ (26,704)	\$ (26,704)	\$ _____
Expenses				
Contract labor	\$ 414,633	\$ 484,662	\$ 449,514	\$ 35,148
Contractual services	96,598	88,202	122,646	(34,444)
Materials and supplies	23,144	29,595	32,414	(2,819)
Debt service payments	7,355	7,355	7,055	300
Depreciation	7,193	7,193		7,193
Other	20,900	20,900	31,015	(10,115)
Capital purchases	25,000	25,000		25,000
Total expenses	<u>594,823</u>	<u>662,907</u>	<u>642,644</u>	<u>20,263</u>
Revenues				
City of Georgetown	237,584	264,382	264,382	
Scott County Fiscal Court	237,584	264,382	264,382	
Scott County Board of Education	119,655	133,054	133,054	
Total revenues	<u>594,823</u>	<u>661,818</u>	<u>661,818</u>	
Net increase (decrease) in fund balance		<u>(1,089)</u>	<u>19,174</u>	<u>20,263</u>
Fund balance, end of year	<u>\$ (26,704)</u>	<u>\$ (27,793)</u>	<u>\$ (7,530)</u>	<u>\$ 20,263</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2020

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, 2020

	<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	\$ 1,364.91	\$ 13,318.64	\$ (16,275.14)	\$ (1,591.59)
Receipts				
Occupational license fees	15,304,313.70	17,330,098.52	3,652,927.61	36,287,339.83
Net profits license fees	1,482,634.76	2,062,893.05	1,143,031.16	4,688,558.97
Penalty and interest	62,593.47	82,490.50	56,420.63	201,504.60
Regulated business fees	2,650.00			2,650.00
Interest income	438.84	510.90	125.46	1,075.20
	<u>16,852,630.77</u>	<u>19,475,992.97</u>	<u>4,852,504.86</u>	<u>41,181,128.60</u>
Disbursements				
Collection fees	264,382.36	264,382.36	133,054.02	661,818.74
Kentucky Jobs Retention Act payments	2,326,014.90	2,326,014.90		4,652,029.80
Kentucky Business Incentive payments	20,942.91	20,942.91		41,885.82
Collection fees - third party	18.50	74.00	18.50	111.00
Scott County United	100,000.00	100,000.00		200,000.00
Refunds:				
Occupational license fees	162,254.51	185,386.02	24,870.00	372,510.53
Net profits license fees	97,205.53	125,045.13	68,583.62	290,834.28
Paid to taxing authorities:				
July	1,008,958.48	1,272,773.71	404,371.11	2,686,103.30
August	1,032,224.48	1,190,057.16	330,818.63	2,553,100.27
September	1,151,112.00	1,447,386.56	425,780.30	3,024,278.86
October	994,578.40	1,165,208.85	316,399.92	2,476,187.17
November	1,028,548.61	1,214,665.83	319,830.57	2,563,045.01
December	1,594,213.95	1,913,854.65	538,518.53	4,046,587.13
January	806,283.46	1,024,587.03	316,595.78	2,147,466.27
February	1,071,749.45	1,283,757.01	342,468.73	2,697,975.19
March	1,239,760.76	1,498,612.82	453,722.73	3,192,096.31
April	1,348,151.43	1,549,824.32	448,174.01	3,346,149.76
May	1,122,485.59	1,270,771.46	325,796.85	2,719,053.90
June	1,469,420.63	1,620,177.47	416,855.50	3,506,453.60
	<u>16,838,305.95</u>	<u>19,473,522.19</u>	<u>4,865,858.80</u>	<u>41,177,686.94</u>
Balance due to tax authorities	<u>\$ 15,689.73</u>	<u>\$ 15,789.42</u>	<u>\$ (29,629.08)</u>	<u>\$ 1,850.07</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF TAX REVENUES PAYABLE TO TAX AUTHORITIES
June 30, 2020

	<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, 2020	\$ 15,689.73	\$ 15,789.42	\$ (29,629.08)	\$ 1,850.07
Taxes owed at June 30, 2020, but collected subsequent to June 30, 2020:				
Occupational license fees	1,233,123.29	1,449,670.04	343,900.28	3,026,693.61
Net profits license fees	519,221.77	607,612.81	327,009.84	1,453,844.42
Penalty and interest	<u>3,707.98</u>	<u>3,282.99</u>	<u>3,057.67</u>	<u>10,048.64</u>
Total tax revenues payable, June 30, 2020	<u>\$ 1,771,742.77</u>	<u>\$ 2,076,355.26</u>	<u>\$ 644,338.71</u>	<u>\$ 4,492,436.74</u>

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF UNEARNED REVENUE REMITTED TO TAX AUTHORITIES
June 30, 2020

	<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	\$ 1,446,557	\$ 1,383,119	\$ 611,547	\$ 3,441,223

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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 8, 2020.

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 consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

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

October 8, 2020

GEORGETOWN-SCOTT COUNTY REVENUE COMMISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of June 30, 2020

There are no findings or responses for the year ended June 30, 2020.