

CITY OF GREENSBURG, KENTUCKY
AUDIT OF THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2011
AND FOR THE YEAR THEN ENDED
WITH REPORT OF INDEPENDENT ACCOUNTANT

**Annual Financial Report
The City of Greensburg, Kentucky
As of June 30, 2011,
And for the Fiscal Year Then Ended**

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February 6, 2012
City Council and Citizens of Greensburg
Greensburg, Kentucky

The Annual Financial Report

The Annual Financial Report (AFR) of the City of Greensburg, Kentucky, for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The AFR is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes, under the new Governmental Accounting Standards Board Statement No. 34 as amended, Management's Discussion and Analysis, the Report of Independent Accountant, the basic government-wide financial statements, and the required supplementary information.

The City of Greensburg is located in Green County, Kentucky. The City is a home rule municipal corporation organized on December 4, 1794, under the laws of the Commonwealth of Kentucky, and as such, operates under its own charter. The City government consists of a mayor and six (6) city council members. The mayor serves a four (4) year term. Council members serve a two (2) year term. The mayor and the city council members are elected on an at-large basis.

For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and the City's obligation to fund any deficits that may occur.

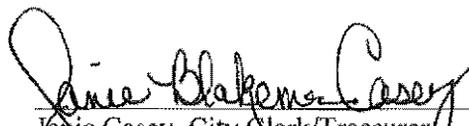
The City provides a full range of municipal services. These services include fire and police protection, recreation programs, and a water and sewer system.

Robert C. Ryan, Certified Public Accountant, audited the financial statements and the related notes of the City of Greensburg, Kentucky. As stated in the auditor's report, the audit was conducted in accordance with Generally Accepted Government Auditing Standards as accepted in the United States of America, and included a review of accounting controls (as required by state law).

We wish to acknowledge the employees of the City of Greensburg who are the City's most valuable asset. These individuals serve productively throughout City operations. They continuously provide quality services to the citizens of Greensburg, Kentucky.

Respectively submitted:


George C. Cheatham, II, Mayor


Janie Casey, City Clerk/Treasurer

**Financial Audit
As of the Year Ended
June 30, 2011**

**Management Discussion and Analysis
By
Mayor George "Lisle" Cheatham, II**

Over the past year we continued to see signs that our Community Development strategy is continuing to deliver positive benefits for the community. We are seeing not only efforts at new residential development but commercial development as well within the city, neither seen for several years. We have seen new businesses not only open in our downtown area but also in the outlying areas of town as well. The City's redevelopment efforts have been a key factor in these positive developments. By investing in ourselves, it makes it much easier for others to invest in us!

When viewed in the backdrop of the current overall economic condition of the country, we should be very encouraged by our successes. However, the continued high unemployment rates, not only in Green County but across the State as well as the United States, continue to be the biggest issue we face as a community. Our efforts at improving post-secondary educational access in the community, along with our continued active marketing of the community and region, are key to addressing this issue.

As I write this MD&A in early February 2012, the national economy is still continuing to recover from what has become known as the "Great Recession". While the private sector begins its recovery, the financial effects on Federal, State and Local Government will be felt for several years to come. "Local Governments" struggle with rebuilding their "tax bases" while maintaining an ever more expensive organization and infrastructure. Greensburg will be no different. We have fared much better than other communities when it comes to the stability of our revenue streams. However, we are not immune to all the increased operational costs and unfunded mandates being passed on by both the federal government and the Kentucky State Legislature. With the Federal Stimulus money now spent, the next several years will be even worse as the State continues to pass on the cost of government to the local level in an effort to clean up their books.

As warned in the past few audit reports – including the very first paragraph of last year's audit report – the window of financial opportunity for the City is quickly shrinking. The cushion provided by the implementation of the Occupational & Business License Tax at the beginning of the decade continues to be eroded by increased day to day costs of operation – most of which we have very little, if any, control over – such as retirement, employee benefit costs, utilities and insurance. Utility costs alone are projected to increase by 26% over just the next four years. To put that in perspective, that means an increase of over \$72,000 per year between now and 2016.

In hind sight, this proves the rate increase implemented in 2010 did in fact get us nearly back to a break-even point – a fact that should be proven during the 2012 Fiscal year. Again, as stated on many occasions, keeping utility rates at an adequate level to support operation not only makes good business sense, it is a requirement of our existing bond agreements and will continue to be a requirement from the funding agencies as we move forward in our efforts to maintain our current system.

Bottom-line, with all the improvements that have been made to both the water and wastewater systems, it's easy to understand why the Net Asset Value of the Greensburg Utility System grew by \$462,702 in the 2011 Fiscal Year.

Conclusion to Financial Highlights

The City of Greensburg turned in a solid financial performance for the fiscal year of 2011, considering the overall economic environment in which we find ourselves. We continued our recent history of growing the overall net asset value of the community. This has happened mainly due to the increased flow of grant proceeds as well as donated assets to the community we have enjoyed over the past eight years. Over the past eight years, the City of Greensburg has seen its total net asset value more than double from just fewer than three million dollars in 2003 to over \$6.4 million today.

However, going forward - given the projected explosion in pension, insurance and utility cost - the City will have to focus more attention to managing our cash flow, prioritizing and thinking outside the box when it comes to looking for ways to cut cost and increase revenue opportunities, if we are to continue growing and improving our community. These issues will only be exacerbated by the fiscal crisis being experienced at both the federal and state levels.

Non-Financial Highlights

Our continued focus on overall community development as an economic strategy has continued to prove successful. Currently, the City has accumulated over \$3 million in committed grant and loan funds for community projects such as a new Water Treatment Plant, a new Fire Department facility, a Post-Secondary Education Facility, Fitness Trail and several smaller projects. This will help to continue our efforts at building a "Livable Community" that can be marketed to new business and industry, tourists as well as new residents.

We are continuing to see the benefits of this strategy as we see more and more investment into our community, with several new businesses opening, increased redevelopment efforts and a continued demand for commercial space. The completion of the new road through the Industrial Park has opened up new developable property and created increased interest in the community. We saw the completion and opening of FRED's Department Store in 2011 and we expect to see the opening of the new Dollar General Market in 2012.

It should be noted that the process of economic development is by its very nature a slow process, and will have to be given time to work over the long term. The current economic recession and now recovery has played a significant role in this process as well, but we cannot let that be an

Conclusion

As of this writing, the current conditions surrounding the world, the nation and the State's economy are continuing to see positive signs following the worst recession in generations. To what degree that will benefit the City of Greensburg will depend on our willingness to do the things necessary to compete with our neighbors and the rest of the world to attract and create jobs. At this very important time the City will also have to contend with the growing demand for increased services by our residents, the business community, not to mention the ever-increasing unfunded mandates passed down by both the Federal and State governments.

However, I am reminded of the famous quote, "Society is not built on a level". We must continue to focus on our plans for building and improving our community, now more than ever. Other communities are working to move forward, which means we have to work that much harder if we want to improve our standing against our peers.

I do believe both the financial future and the overall future for Greensburg is solid, provided we continue to plan and manage our assets in a conservative manner and focus on our opportunities and our strengths. Given the economic conditions described above, Greensburg may only have a narrow window of time to make significant progress in creating the self-sustaining economic opportunity for our residents we all want. Therefore, it is more important than ever that our community continue to come together and work with a common vision and purpose. There are many forces working both for and against us in the world today. Most are out of our control. We must continue to focus on the ones we can control and take advantage of the opportunities created by the ones we cannot. We can be either our own worst enemy or our own best friend; it is up to each of us.

As always, the City of Greensburg looks forward to working toward the brightest future possible for our residents and our community!

Sincerely,

George "Lisle" Cheatham, II
Mayor
City of Greensburg

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Then Ended June 30,

Current Expense Fund Revenues	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Taxes	\$864,260	\$896,735	\$835,971	\$806,882	\$926,022	\$847,909
Licenses and Permits	\$13,314	\$16,158	\$8,769	\$8,014	\$5,405	\$4,925
Intergovernmental Revenue	\$54,553	\$64,461	\$66,310	\$2,294	\$126,729	\$60,023
Franchise Fees	\$153,218	\$137,471	\$132,823	\$111,854	\$114,410	\$146,611
Grants	\$103,028	\$86,461	\$349,362	\$212,202	\$719,436	\$867,984
Municipal Road Aid	\$62,059	\$55,761	\$53,943	\$52,095	\$96,808	\$41,787
Rents	\$103,591	\$94,384	\$71,279	\$71,758	\$46,436	\$57,917
Interest Income	\$4,139	\$3,210	\$6,192	\$9,923	\$10,071	\$8,950
Other Income	\$68,362	\$109,638	\$215,055	\$467,633	\$147,172	\$168,062
Totals Revenues	<u>\$1,426,524</u>	<u>\$1,464,279</u>	<u>\$1,739,704</u>	<u>\$1,742,655</u>	<u>\$2,192,489</u>	<u>\$2,204,168</u>
Current Expense Fund Expenditures	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government	\$482,532	\$549,452	\$688,165	\$604,917	\$552,180	\$638,865
Public Safety, Police	\$483,198	\$426,597	\$408,509	\$432,370	\$429,842	\$382,606
Public Safety, Fire	\$27,768	\$25,733	\$34,569	\$23,468	\$35,401	\$42,678
City Maintenance	\$257,725	\$211,859	\$283,187	\$209,988	\$253,661	\$216,307
Capital Expenditures	\$102,244	\$99,832	\$461,378	\$114,407	\$340,052	\$3,461
Totals Expenditures	<u>\$1,353,467</u>	<u>\$1,313,473</u>	<u>\$1,875,808</u>	<u>\$1,385,150</u>	<u>\$1,611,136</u>	<u>\$1,283,917</u>

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Then Ended June 30,

Business-type (Sewer) Fund Revenues	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Water Service	\$792,530	\$672,156	\$682,398	\$655,813	\$625,116	\$600,209
Sewer Service	\$311,403	\$312,244	\$295,020	\$269,788	\$265,898	\$266,313
Interest Income	\$5,211	\$10,192	\$15,373	\$19,470	\$19,548	\$19,907
Other Service	\$75,211	\$61,767	\$70,719	\$24,616	\$15,856	\$15,139
Totals Revenues	<u>\$1,184,355</u>	<u>\$1,056,359</u>	<u>\$1,063,510</u>	<u>\$969,687</u>	<u>\$926,418</u>	<u>\$901,568</u>

Business-type (Sewer) Fund Revenues	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Water Service	66.92%	63.63%	64.16%	67.63%	67.48%	66.57%
Sewer Service	26.29%	29.56%	27.74%	27.82%	28.70%	29.54%
Interest Income	0.44%	0.96%	1.45%	2.01%	2.11%	2.21%
Other Service	6.35%	5.85%	6.65%	2.54%	1.71%	1.68%
Totals Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Business-type (Sewer) Fund Expenditures	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Personnel Cost	\$558,783	\$536,595	\$463,078	\$380,331	\$371,209	\$393,471
Occupancy Expenses	\$110,153	\$88,543	\$47,849	\$86,235	\$88,094	\$73,973
Chemical and Testing Expenses	\$83,209	\$90,411	\$98,410	\$90,499	\$93,211	\$83,239
Maintenance and Repairs Expenses	\$141,337	\$54,177	\$66,833	\$53,340	\$64,353	\$77,520
Interest Expenses	\$107,172	\$96,898	\$90,830	\$94,491	\$105,934	\$94,666
Other Expenses	\$192,620	\$198,934	\$203,149	\$280,952	\$156,690	\$134,340
Depreciation and Amortization	\$326,455	\$311,691	\$270,884	\$256,236	\$260,481	\$366,894
Totals Expenditures	<u>\$1,519,729</u>	<u>\$1,377,249</u>	<u>\$1,241,033</u>	<u>\$1,242,084</u>	<u>\$1,139,972</u>	<u>\$1,224,103</u>



Robert C. Ryan
Certified Public Accountant
Post Office Box 91917, Louisville, KY 40291
502/239-5171 ~ Facsimile 502/239-5171
E mail bobryan_cpa@bellsouth.net

Report of Independent Accountant

To the Mayor and City Council Members
City of Greensburg, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Greensburg, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Greensburg, Kentucky's management. My responsibility is to express opinions on the basic government-wide financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the City of Greensburg, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion pages 3 through 12, analysis and budgetary comparison information on pages 50 through 54, and information about infrastructure assets reported using the modified approach on pages 55 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Member:
American Institute of Certified Public Accountants ~ Kentucky and Tennessee Societies of Certified Public Accountants
Licensed to practice as a Certified Public Accountant in Indiana and Kentucky

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greensburg, Kentucky's basic financial statements. The schedules of general government activities, municipal street activities and business-type (Water and Sewer Service) activities, pages 57 through 60 have been subjected to the auditing procedures applied in the audit of the financial statements and; in my opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

Robert C. Ryan

Robert C. Ryan
February 6, 2012

City of Greensburg, Kentucky
Statement of Net Assets
As of June 30, 2011

Primary Government
Business-
Type

Assets	Governmental Activities	Business- Type Activities	Totals
Cash and Cash Equivalents	\$191,048	\$209,326	\$400,374
Investments	\$136,307	\$250,879	\$387,186
Receivables, net of allowance for doubtful tax collections	\$208,322	\$20,092	\$228,414
Interest Receivable	\$1,015		\$1,015
Notes Receivable, Interfund	\$44,657		\$44,657
Prepaid Expenses	\$24,549		\$24,549
Capital Assets			
General Government	\$4,898,297		\$4,898,297
Water and Sewer System		\$9,720,733	\$9,720,733
Accumulated Depreciation	(\$578,953)	(\$5,966,602)	(\$6,545,555)
Unamortized Bond Discount		\$3,133	\$3,133
Unamortized Loss on Extinguishment of Debt		\$16,387	\$16,387
Water Bond Sinking Fund		\$83,829	\$83,829
Due from Funds	\$307,744	\$140,838	\$448,582
Notes Receivable, Interfund	\$62,887		\$62,887
Long Term Receivables	\$242,931	\$2,500	\$245,431
Other Long Term Assets	\$22,375	\$10,789	\$33,164
Total Assets	<u>\$5,561,179</u>	<u>\$4,491,904</u>	<u>\$10,053,083</u>
Liabilities			
Accounts Payable	\$38,528	\$48,558	\$87,086
Accrued Expenses	\$116,937	\$58,166	\$175,103
Customer Deposits		\$51,817	\$51,817
Bonds and Notes Payable			
Due Within One Year	\$45,485	\$55,085	\$100,570
Due in More Than One Year	\$313,271	\$2,214,128	\$2,527,399
Unamortized Gain on Loan Restructure		\$87,573	\$87,573
Due to Funds	\$291,360	\$157,222	\$448,582
Notes Payable, Interfund			\$0
Due Within One Year		\$44,657	\$44,657
Due in More Than One Year		\$62,887	\$62,887
Other Long Term Liabilities	\$18,370	\$10,789	\$29,159
Total Liabilities	<u>\$823,951</u>	<u>\$2,790,882</u>	<u>\$3,614,833</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$3,950,588	\$1,484,918	\$5,435,506
Restricted for:			
Restricted for Debt Service	\$358,756	\$2,376,757	\$2,735,513
Customers' Deposits		\$51,817	\$51,817
Municipal Street Fund	\$11,382		\$11,382
Restricted Cash Funds	\$94,069	\$146,907	\$240,976
Unrestricted	\$322,433	(\$2,359,377)	(\$2,036,944)
Total Net Assets	<u>\$4,737,228</u>	<u>\$1,701,022</u>	<u>\$6,438,250</u>

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

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
As of June 30, 2011

	<u>General Government Fund</u>	<u>Debt Service Fund</u>	<u>Municipal Streets Fund</u>	<u>Totals</u>
Assets				
Cash and Cash Equivalents				
Cash	\$86,612			\$86,612
Cash, Restricted	\$94,069		\$10,367	\$104,436
Investments	\$136,307			\$136,307
Receivables, Net	\$208,322			\$208,322
Interest Receivable			\$1,015	\$1,015
Notes Receivable, Interfund	\$44,657			\$44,657
Prepaid Expenses	\$24,549			\$24,549
Total Assets	<u>\$594,516</u>	<u>\$0</u>	<u>\$11,382</u>	<u>\$605,898</u>
Liabilities				
Accounts Payable	\$38,528			\$38,528
Accrued Expenses	\$116,937			\$116,937
Bonds and Notes Payable, Current		\$45,485		\$45,485
Total Liabilities	<u>\$155,465</u>	<u>\$45,485</u>	<u>\$0</u>	<u>\$200,950</u>
Fund Balance				
Non-spendable Fund Balance				
Receivables, Net	\$208,322			\$208,322
Interest Receivable			\$1,015	\$1,015
Prepaid Expenses	\$24,549			\$24,549
Restricted Fund Balance				
Assigned Programs	\$94,069	-\$45,485		\$48,584
Municipal Aid Fund			\$10,367	\$10,367
Non-restricted Fund Balance				
Unassigned Fund Balance	\$112,111			\$112,111
Total Fund Balances	<u>\$439,051</u>	<u>(\$45,485)</u>	<u>\$11,382</u>	<u>\$404,948</u>
Total Liabilities and Fund Balances	<u>\$594,516</u>	<u>\$0</u>	<u>\$11,382</u>	<u>\$605,898</u>

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

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Fund
Year Ended June 30, 2011

	General Government Fund	Debt Service Fund	Municipal Street Fund	Totals
Revenues				
Franchise Fees	\$153,218			\$153,218
Insurance Premium Tax	\$255,199			\$255,199
Occupational Tax	\$476,327			\$476,327
Property Tax	\$193,793			\$193,793
Rent Income	\$103,591			\$103,591
Other Revenues	\$90,793			\$90,793
Intergovernmental Revenues	\$45,436		\$62,059	\$107,495
Grant Revenues	\$103,028			\$103,028
Interest Income	\$5,093		\$46	\$5,139
Total Revenues	<u>\$1,426,478</u>	<u>\$0</u>	<u>\$62,105</u>	<u>\$1,488,583</u>
Expenditures				
General Government	(\$1,203,146)			(\$1,203,146)
Municipal Streets			(\$379)	(\$379)
Debt Service				
Principal		(\$36,757)		(\$36,757)
Interest		(\$19,438)		(\$19,438)
Capital Outlay	(\$102,244)			(\$102,244)
Total Expenditures	<u>(\$1,305,390)</u>	<u>(\$56,195)</u>	<u>(\$379)</u>	<u>(\$1,361,964)</u>
Excess of Revenues and Grants Over (Under) Expenditures	<u>\$121,088</u>	<u>(\$56,195)</u>	<u>\$61,726</u>	<u>\$126,619</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	\$63,562		(\$63,562)	\$0
Net Other Financing Sources (Uses)	<u>\$63,562</u>	<u>\$0</u>	<u>(\$63,562)</u>	<u>\$0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$184,650</u>	<u>(\$56,195)</u>	<u>(\$1,836)</u>	<u>\$126,619</u>
Fund Balances, July 1, 2010	<u>\$332,917</u>	<u>(\$20,812)</u>	<u>\$43,024</u>	<u>\$355,129</u>
Fund Balances, June 30, 2011	<u>\$517,567</u>	<u>(\$77,007)</u>	<u>\$41,188</u>	<u>\$481,748</u>

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

City of Greensburg, Kentucky
Balance Sheet - Proprietary Funds
As of June 30, 2011

Assets

Current Assets:

Cash and Cash Equivalents	\$209,326
Investments	\$250,879
Receivables, net of allowance for doubtful tax collections	\$20,092
Total Current Assets	<u>\$480,297</u>

Non-current Assets

Capital Assets	
Water and Sewer System	\$9,720,733
Accumulated Depreciation	(\$5,966,602)
Unamortized Bond Discount	\$3,133
Unamortized Loss on Extinguishment of Debt	\$16,387
Water Bond Sinking Fund	\$83,829
Due from Funds	\$140,838
Other Long-term Assets	\$13,289
Total Non-current Assets	<u>\$4,011,607</u>
Total Assets	<u>\$4,491,904</u>

Liabilities

Current Liabilities

Accounts Payable	\$48,558
Accrued Expenses	\$58,166
Customer Deposits	\$51,817
Bonds and Notes Payable	
Due Within One Year	\$55,085
Notes Payable, Interfund	
Due Within One Year	\$44,657
Total Current Liabilities	<u>\$258,283</u>

Non-current Liabilities

Unamortized Gain on Loan Restructure	\$87,573
Bonds and Notes Payable	
Due in More Than One Year	\$2,214,128
Due to Funds	\$157,222
Notes Payable, Interfund	\$62,887
Due in More Than One Year	
Other Long-term Liabilities	\$10,789
Total Non-current Liabilities	<u>\$2,532,599</u>
Total Liabilities	<u>\$2,790,882</u>

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

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Assets - Proprietary Fund
For The Year Ended June 30, 2011

Operating Revenues

Sewer Service	\$311,403
Water Service	\$779,996
Water Meter Connection	\$12,534
Program Grants	\$626,172
Total Operating Revenues	<u>\$1,730,105</u>

Operating Expenses

Personal Services	\$558,783
Contractual	\$38,677
Materials and Supplies	\$83,703
Repairs and Maintenance	\$141,337
Utilities	\$110,153
Other Expenses	\$157,543
Total Operating and Maintenance Expenses	<u>\$1,090,196</u>

Operating Income Before Depreciation \$639,909

Depreciation and Amortization \$322,361

Operating Income (Loss) \$317,548

Non - Operating Revenues (Expenses)

Interest Expense	(\$107,172)
FEMA reimbursement	\$18,768
Gain on Loan Restructuring	\$8,757
Health Insurance Reimbursement	\$5,437
Interest Income	\$5,211
Other Income	\$75,211
Water GT PSC repayment	\$3,086

Total Non - Operating Income (Expenses) \$9,298

Change in Net Assets \$326,846

Total Net Assets, July 1, 2010 \$1,374,176

Total Net Assets, June 30, 2011 \$1,701,022

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

City of Greensburg, Kentucky
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2011

	Water and Sewer <u>Utility</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$317,548
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and Amortization	\$322,361
Loss on Debt Extinguishment	\$4,094
Gain on Loan Restructuring	
Increases (Decreases) In:	
Receivables	(\$17,592)
Accounts Payable	(\$17,284)
Accrued Expenses	\$56,448
Customer Deposits	(\$264)
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u><u>\$665,311</u></u>

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

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note A Summary of Significant Accounting Policies (continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements Measurement Focus and Basis of Accounting

The City Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements Measurement Focus and Basis of Accounting

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
The Fiscal Year Then Ended**

Note A Summary of Significant Accounting Policies (continued)

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Proprietary Fund Financial Statements Measurement Focus and Basis of Accounting

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Component Units

There are no governmental component units incorporated in the basic government-wide financial statements. A *component unit* is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of Government Standards Accounting Board Statement No. 14.

Budgetary Information, Compliance and Accountability

Annual budgets are adopted on a basis consistent with Section 91A .030 of the Kentucky Revised Statutes (KRS) for the general, enterprise fund and the special revenue fund. Budgets for all government activities and business-type activities are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before June 30th of each year, the Mayor must present the proposed budget to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than July 1st of the new fiscal year.

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note A Summary of Significant Accounting Policies (continued)

Inter-fund Transactions

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Inter-fund receivables and payables as of June 30, 2011, are as follows:

	Inter - fund <u>Payables</u>	Inter - fund <u>Receivables</u>
General Fund	\$291,360	\$307,744
Enterprise Fund	<u>157,222</u>	<u>140,838</u>
	<u>\$448,582</u>	<u>\$448,582</u>

Repayment of the inter-fund account balances is anticipated during the coming fiscal year ended June 30, 2011.

Inventories

The City does not maintain inventories for general government operations or the business - type proprietary operations. Materials and goods for the two (2) operations are purchased and expensed as needed.

Restricted Assets

The use of certain assets of general government funds and business - type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as noncurrent if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note A Summary of Significant Accounting Policies (continued)

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Compensated Absences

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salary and fringe benefits.

Net Assets/Reserves and Designations

At June 30, 2011, net assets of the primary government consisted of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Invested in capital assets, net of related debt:		
Net property, plant, and equipment	\$4,319,344	\$3,754,131
Less: Restricted for:		
Debt Service	(358,756)	(2,269,213)
Debt Service	358,756	2,376,757)
Streets and Roads	11,382	
Restricted Cash Funds	94,069	198,724
Unrestricted Funds	<u>322,433</u>	<u>(2,359,377)</u>
Total net assets	<u>\$4,747,228</u>	<u>\$1,701,022</u>

None of the net assets are restricted by enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes Receivable, Property Tax Calendar and Provision for Uncollectible Real Property Taxes

Property tax (real property) rolls are prepared by the Green County Property Tax Assessors office on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

- | <u>Description</u> | <u>Date per KRS 134.015</u> |
|------------------------|-----------------------------|
| • Due date for payment | Upon receipt |

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note B Deposits and Investments (continued)

The carrying value of all City of Greensburg's deposits and investments is \$787,560. At June 30, 2011, the Federal Deposit Insurance Corporation (FDIC) insured the first \$250,000 of the total of deposits at financial institutions. Total funds deposited in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City of Greensburg. Pledged securities are as follows:

<u>Security</u>	<u>Original Face</u>	<u>Book Value</u>	<u>Market Value</u>
<u>Forcht Bank</u>			
Ashland, KY Independent School District	\$300,000	\$300,000	\$326,874
FNMA Note Callable	\$300,000	\$364,106	\$344,362
FNMA Note Callable	\$300,000	\$348,734	\$333,570
GNMA II Pool	\$300,000	\$258,862	\$255,129
Lincoln Cty Sch Dist	\$300,000	\$296,179	\$308,439

The securities are in the name of Forcht Bank and are being held by SunTrust Bank.

<u>PBI Bank</u>			
Federal Home Loan Bank	\$500,000	\$479,251	\$494,975
Breathitt Cty. KY Justice Center	\$200,000	\$199,294	\$206,626

The security is in the name of PBI Bank, Inc. and is being held by First Tennessee Bank.

Kentucky Revised Statutes (KRS) authorizes municipalities to invest in obligation of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

Investments consist of the following:

<u>Description</u>	<u>General Government Value</u>	<u>Business-type Value</u>
Certificate of Deposit	\$65,470	\$107,955
Certificate of Deposit	65,470	73,012
Certificate of Deposit	2,367	7,900
Certificate of Deposit	3,000	2,110
Certificate of Deposit		3,543
Certificate of Deposit		3,681
Certificate of Deposit		47,616
Savings Accounts (2)		5,062
	<u>\$136,307</u>	<u>\$250,879</u>

The interest rates on the certificates of deposits range from 2.23% to 4.25%.

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note C Capital Assets (continued)

<u>Asset</u>	<u>Estimated Life</u>	<u>Depreciation Method</u>
Governmental Activities	5-25 year life	Straight line
Business-type Activity		
Water and Sewer System	7-30 year life	Straight-line

The City elected not to retroactively capitalize the cost of approximately eighteen (18) miles of municipal streets. The municipal streets were constructed prior to fiscal year ended June 30, 1980, and systematic repairs and maintenance have maintained them. The City will continue its policy of expensing the cost of repairs and maintenance to its municipal streets.

The City does not have any capital assets that are considered impaired or idle as of June 30, 2011.

There were no intra – entity transfers of capital assets during fiscal year ended June 30, 2011.

Tangible and intangible property (capital assets) having a cost of \$500.00 and more and having an initial useful life that extends beyond a single reporting period are classified as capital assets.

Note D Receivables

As of June 30, 2011, the Receivables due the City consist of the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Taxes Assessed on Property	\$12,564	
Insurance Premium Taxes, 2 nd Quarter 2011	48,701	
Franchise Fees	12,614	
Occupational Tax, 2 nd Quarter 2011	125,298	
FEMA-2010 Flood	4,082	
FEMA-2011 Flood	3,855	
KLEFPF	1,208	
Other Receivables		\$20,092
Less Provision for Uncollectible Accounts	<u>-0-</u>	<u>-0-</u>
Net Receivables	<u>\$208,322</u>	<u>\$20,092</u>

Note E Long-term Debt

The City of Greensburg, Kentucky's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be paid from business-type activities.

Governmental Activities

As of June 30, 2011, the governmental debt of the City of Greensburg, Kentucky consisted of the following:

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note E Long-term Debt (continued)	<u>Balance</u>	<u>Current</u>
interest rate is variable; with final maturity dated April 1, 2026	<u>\$80,729</u>	<u>3,785</u>
Total Bonds and Notes Payable	<u>\$2,269,213</u>	<u>\$55,085</u>

As of June 30, 2011, the interfund long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

City of Greensburg Current Expense Fund (CEF);		
(a) original issue \$62,800; dated April 10, 2011; non secured; interest rate is 4.0%; \$1,854 due monthly; due April 2013	\$37,544	\$22,249
(b) original issue \$70,000; dated February 6, 2011; non-secured; interest rate is 4.0%; \$2,067 due monthly; due June 2014	<u>\$70,000</u>	<u>\$22,408</u>
Total Notes Payable, Interfund	<u>\$107,544</u>	<u>\$44,657</u>

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2011:

<u>General Government Activities June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>	
\$60,000, PBI Bank, due June 30, 2012, interest @ 5.25%, secured by certificate of deposit	\$27,366	0	(\$8,943)	\$18,393
\$300,000, Kentucky League of Cities Long-term Lease Agreement, due July 15, 2020, 3.88% fixed, secured by personal property	240,000	0	(20,000)	220,000
\$72,000, PBI Bank, October 23, 2008, 1 annual payment of \$72,000, due June 9, 2024, 4.16% annual interest, secured by personal property.	128,146	0	(7,813)	120,363
	<u>\$395,512</u>	<u>\$ 0</u>	<u>(\$36,756)</u>	<u>\$358,756</u>

Revenues from the Current Expense (General Government Activities) Fund were used during fiscal year ended June 30, 2011 to retire long-term obligations of the City. \$19,438 interest expense is included in Current Expenses (General Government Activities) direct expenses in the statement of activities.

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note F Compliance with Bond Ordinance (continued)

- **Operation and Maintenance** - This account is to accrue a balance equal to the anticipated requirements for a two-month period. The City is in compliance with the ordinance.

Note G Risk Management

The City of Greensburg is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. In addition to its general liability insurance, the City also carries commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

<i>Amount per Occurrence</i>	<i>Type of Coverage</i>
\$2,000,000	General liability, each occurrence
\$100,000	Damages to rented premises
\$2,000,000	Personal injury
\$6,000,000	General annual aggregate
\$6,000,000	Product liability
\$2,000,000	Automobile liability
\$1,000,000	Excess umbrella liability, each occurrence
\$1,000,000	Excess umbrella liability, aggregate
\$4,000,000	Workers' compensation, statutory
\$2,000,000	Public officials, wrongful act
\$6,000,000	Public officials, annual aggregate
\$2,000,000	Law enforcement, wrongful act
\$6,000,000	Law enforcement, annual aggregate

Note H Related Parties Transactions

In a governmental entity, related parties include members of the governing body (city commissioners, etc.), board members, administrative officials (mayor, city clerk, etc.) immediate family members of the preceding individuals and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as water and sewer systems. There are no related party transactions to be disclosed.

Note I Economic Dependency

The City is not economically dependent on one or more major taxpayers or suppliers.

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note J Pension Plan (continued)

Unfunded Liability on Actuarial Value of Assets	\$2,796,171,730	\$2,847,235,030
Funded Ratio on Actuarial Value of Assets	40.00%	41.16%
Covered Payroll	\$2,652,927,312	\$2,703,404,040

Contributions required by Commonwealth statute for years ended June 30, 2007, 2008, 2010 and 2011 were as follows:

Fiscal Year	Required Contribution	Percent Contributed
2008	\$136,026	100%
2009	\$112,535	100%
2010	\$129,531	100%
2011	\$151,408	100%

The complete audited financial statements, comprehensive annual financial report and actuarial valuations of the Kentucky Retirement System can be found on line at www.kyrte.com.

Note K Rent Expense

Effective June 5, 1989, by action of the City Council of Greensburg, Kentucky, the Greensburg Water and Sewer System rents its office facilities from the City of Greensburg at the rate of \$24,000 per year.

Note L Ownership

The Greensburg Water and Sewer System is a business-type activity of the City of Greensburg.

Note M Defeasance of Debt

Series 1993 F Revenue Bonds Restructure

On August 20, 1993 The Kentucky Infrastructure Authority (KIA) issued Series 1993 F revenue bonds of \$17,805,000 par value to advance refund revenue bonds Series 1989 C with a par value of \$15,220,000. The Series 1993 F revenue bonds were issued at par less \$385,063 in discounts. After paying issuance cost of \$254,618, the net proceeds were \$17,210,319. The advance refunding met the requirements of an in-substance debt defeasance and the refunded revenue bonds were removed as a liability from the City's balance sheet. In the City of Greensburg's portion of the advance refunding, bonds with a par value of \$641,341 were issued less \$13,835 in bond discounts and \$9,148 issuance cost.

Insurance cost	\$254,618
Bond discount	<u>385,063</u>
Financing cost	<u>\$639,681</u>

**City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended**

Note M Defeasance of Debt (continued)

See the amortization of defeasance of debt on pages 46, 47 and 48.

Note N Date of Management's Review

Subsequent events were evaluated through February 6, 2011, which is the date the financial statements were available to be issued.

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011, and
For the Fiscal Year Then Ended

Defeasance of Debt Footnote

<u>Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Present Value</u>
07/01/12	5.00%		\$33,200	\$33,200	\$12,073
01/01/13	5.00%	\$44,000	\$33,200	\$77,200	\$27,389
07/01/13	5.00%		\$32,100	\$32,100	\$11,111
01/01/14	5.00%	\$45,000	\$32,100	\$77,100	\$26,035
07/01/14	5.00%		\$30,975	\$30,975	\$10,205
01/01/15	5.00%	\$48,000	\$30,975	\$78,975	\$25,383
07/01/15	5.00%		\$29,775	\$29,775	\$9,337
01/01/16	5.00%	\$50,000	\$29,775	\$79,775	\$24,405
07/01/16	5.00%		\$28,525	\$28,525	\$8,514
01/01/17	5.00%	\$53,000	\$28,525	\$81,525	\$23,739
07/01/17	5.00%		\$27,200	\$27,200	\$7,727
01/01/18	5.00%	\$55,000	\$27,200	\$82,200	\$22,782
07/01/18	5.00%		\$25,825	\$25,825	\$6,983
01/01/19	5.00%	\$58,000	\$25,825	\$83,825	\$22,113
07/01/19	5.00%		\$24,375	\$24,375	\$6,273
01/01/20	5.00%	\$61,000	\$24,375	\$85,375	\$21,436
07/01/20	5.00%		\$22,850	\$22,850	\$5,597
01/01/21	5.00%	\$64,000	\$22,850	\$86,850	\$20,756
07/01/21	5.00%		\$21,250	\$21,250	\$4,955
01/01/22	5.00%	\$67,000	\$21,250	\$88,250	\$20,074
07/01/22	5.00%		\$19,575	\$19,575	\$4,344
01/01/23	5.00%	\$71,000	\$19,575	\$90,575	\$19,610
07/01/23	5.00%		\$17,800	\$17,800	\$3,760
01/01/24	5.00%	\$74,000	\$17,800	\$91,800	\$18,918
07/01/24	5.00%		\$15,950	\$15,950	\$3,207
01/01/25	5.00%	\$78,000	\$15,950	\$93,950	\$18,428
07/01/25	5.00%		\$14,000	\$14,000	\$2,679
01/01/26	5.00%	\$82,000	\$14,000	\$96,000	\$17,923
07/01/26	5.00%		\$11,950	\$11,950	\$2,177
01/01/27	5.00%	\$86,000	\$11,950	\$97,950	\$17,406
07/01/27	5.00%		\$9,800	\$9,800	\$1,699
01/01/28	5.00%	\$91,000	\$9,800	\$100,800	\$17,049
07/01/28	5.00%		\$7,525	\$7,525	\$1,242
01/01/29	5.00%	\$95,000	\$7,525	\$102,525	\$16,505
07/01/29	5.00%		\$5,150	\$5,150	\$809
01/01/30	5.00%	\$100,000	\$5,150	\$105,150	\$16,112
07/01/30	5.00%		\$2,650	\$2,650	\$396

City of Greensburg, Kentucky
Budgetary Comparison Schedule, General Government Activity
Budget and Actual
Year Ended June 30, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
Revenues				
Occupational Taxes	\$489,000	\$489,000	\$476,255	(\$12,745)
Property and Vehicle Taxes	\$184,000	\$184,000	\$193,793	\$9,793
Economic Development Support	\$20,000	\$20,000	\$5,000	(\$15,000)
Insurance Premium Tax	\$270,000	\$270,000	\$255,199	(\$14,801)
Grants	\$799,000	\$799,000	\$94,173	(\$704,827)
Donations Received	\$5,000	\$5,000	\$11,845	\$6,845
Franchise Fees	\$125,000	\$125,000	\$153,218	\$28,218
Inter-governmental Revenues	\$88,900	\$88,900	\$49,624	(\$39,276)
Other Revenues	\$79,904	\$79,904	\$60,739	(\$19,165)
Rent	\$73,427	\$73,427	\$103,591	\$30,164
Licenses and Permits	\$18,000	\$18,000	\$11,055	(\$6,945)
911 Income	\$277,000	\$277,000	\$0	(\$277,000)
Transfers In/Out	\$46,060	\$46,060	\$63,561	\$17,501
Interest Income	\$2,000	\$2,000	\$5,093	\$3,093
Total Revenues	<u>\$2,477,291</u>	<u>\$2,477,291</u>	<u>\$1,483,146</u>	<u>(\$994,145)</u>
Appropriations				
General Government	\$392,125	\$392,125	\$482,532	(\$90,407)
Public Safety, Police	\$442,411	\$442,411	\$483,198	(\$40,787)
Public Safety, Fire	\$33,977	\$33,977	\$27,768	\$6,209
City Maintenance	\$234,876	\$234,876	\$257,725	(\$22,849)
Heartland Regional Micro Park	\$64,339	\$64,339	\$69,385	(\$5,046)
Paddle Trail	\$19,622	\$19,622	\$15,805	\$3,817
Emergency 911	\$336,003	\$336,003	\$1,834	\$334,169
Grant Expenses	\$799,000	\$799,000	\$14,099	\$784,901
Total Appropriations	<u>\$2,322,353</u>	<u>\$2,322,353</u>	<u>\$1,352,346</u>	<u>\$970,007</u>
Excess of Resources Over (Under) Appropriations	\$154,938	\$154,938	\$130,800	(\$24,138)
Fund Balance July 1, 2010	<u>\$298,874</u>	<u>\$319,724</u>	<u>\$465,822</u>	<u>\$146,098</u>
Fund Balance June 30, 2011	<u>\$453,812</u>	<u>\$474,662</u>	<u>\$596,622</u>	<u>\$121,960</u>

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

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Local Government Economic Assistance
 Budget and Actual
 Year Ended June 30, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental Revenues	\$6,000	\$6,000	\$10,250	\$4,250
Interest Income	\$10	\$10	\$8	(\$2)
Total Revenues	<u>\$6,010</u>	<u>\$6,010</u>	<u>\$10,258</u>	<u>\$4,248</u>
Appropriations				
Economic Development	\$0	\$0	\$0	\$0
Transfers Out	\$6,010	\$6,010	\$14,876	(\$8,866)
Total Appropriations	<u>\$6,010</u>	<u>\$6,010</u>	<u>\$14,876</u>	<u>(\$8,866)</u>
Excess of Resources Over (Under Appropriations	\$0	\$0	(\$4,618)	(\$4,618)
Fund Balance July 1, 2010	<u>\$14,794</u>	<u>\$14,794</u>	<u>\$4,864</u>	<u>(\$9,930)</u>
Fund Balance June 30, 2011	<u><u>\$14,794</u></u>	<u><u>\$14,794</u></u>	<u><u>\$246</u></u>	<u><u>(\$14,548)</u></u>

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

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2011 and
For the Fiscal Year Then Ended

Notes to Required Supplementary Information

(1) Budgetary Basis of Accounting

While the City reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented as RSI for each major governmental fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Net Changes In Fund Balances
Government Funds

	General Fund	Municipal Streets Fund	LEGA Fund	Totals
Change in Net Assets, Budget Basis	<u>\$130,800</u>	<u>\$2,783</u>	<u>(\$4,618)</u>	\$128,965
Reconciling amounts				
Decrease in long – term capital lease liability				(56,671)
Transfers, In				
Transfers, Out				<u>63,562</u>
Change in net Assets, GAAP Basis				<u>\$135,856</u>

Net Changes In Fund Balances
Enterprise Funds

Change in Net Assets, Budget Basis	(\$395,401)
Reconciling amounts	
Gain from bond restructuring	8,756
Debt Retirement, Principal	54,099
Capitalized Grant Expenses	<u>659,392</u>
Change in Net Assets, GAAP Basis	<u>\$326,846</u>

Fair	64 - 75	Surface defects such as cracking, rutting, and raveling are affecting the ride. (Major maintenance is likely needed.)
Poor	41 - 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough. (Structural improvements, in addition to major maintenance, are likely needed.)
Very Poor	0 - 40	Pavement in this category is severely deteriorated and the ride quality is unacceptable. (Complete road reconstruction is likely needed.)

Established Condition Level

It is the City's policy to maintain at least 80% of its roads at or above the "good" condition level, and no more than 10% at a "very poor" condition. Condition assessments are performed by geographic district within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years.

Assessed Conditions

The following table reports the percentage of pavement meeting the "very good" and "good" condition ratings, as well as those falling into the "fair" category, as assessed in 2011. No City streets were assessed as "poor" or "very poor". Prior to 2011, the City did not use an asset management system. Therefore, no meaningful comparison of the condition of the City's roads prior to 2011 is available.

Category	2011
Very Good	60%
Good	30%
Fair	10%

During the past five (5) years the City spent the following to maintain City streets, roads and sidewalks:

<u>Fiscal Year Ended June 30,</u>	<u>Expenditures</u>	<u>Budgeted</u>
2006	\$81,592	\$152,574
2007	\$38,079	\$122,115
2008	\$38,277	\$108,196
2009	\$46,220	\$69,439
2010	\$28,651	\$39,040
2011	\$49,064	\$40,050

City of Greensburg, Kentucky
Schedule of General Government Activities
Year Ended June 30, 2011

Expenditures	General Government Activities	Special Revenue Activity	Totals
Travel and Training Expenses	\$5,374		\$5,374
Unemployment Taxes	\$2,222		\$2,222
Uniform Expenses	\$4,800		\$4,800
Utility Expenses	\$167,157		\$167,157
Website Expenses	\$593		\$593
Depreciation	\$129,764		\$129,764
Total Expenditures	\$1,352,348	\$379	\$1,352,727

Revenues	General Government Activities	Special Revenue Activity	Totals
Code Enforcement Revenue	\$2,259		\$2,259
Economic Development Support	\$5,000		\$5,000
FEMA Reimbursements	\$3,855		\$3,855
Franchise Fees	\$153,218		\$153,218
Grant Revenue	\$94,173		\$94,173
HB 380 HI Revenue	\$13,204		\$13,204
Insurance Premium Tax	\$255,199		\$255,199
Insurance Proceeds	\$7,025		\$7,025
Interest Income	\$5,093	\$46	\$5,139
Intergovernmental Revenue	\$2,987	\$62,059	\$65,046
KLEFPF Grant	\$20,995		\$20,995
Law Enforcement Revenue	\$9,117		\$9,117
License Fees, Other	\$11,055		\$11,055
Miscellaneous Revenues	\$10,757		\$10,757
Occupational Taxes	\$476,327		\$476,327
Paddle Trail Revenue	\$26,042		\$26,042
Pavers - Benches - Light Pole Revenue	\$5,800		\$5,800
Property Tax Revenue	\$174,697		\$174,697
Rent Income	\$103,591		\$103,591
Shelter House Donations	\$11,845		\$11,845
State Aid - Fire Department	\$8,250		\$8,250
Vehicle Tax Revenue	\$19,096		\$19,096
Transfers	\$63,561	(\$63,561)	\$0
Total Revenues	\$1,483,146	(\$1,456)	\$1,481,690
Net Revenues and Grant Revenue Over Expenditures and Transfers	\$130,798	(\$1,835)	\$128,963

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

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities
Year Ended June 30, 2011

Revenues	Sewer and Water Service Activities
Sewer Service Revenue	\$311,403
Water Service Revenue	\$779,996
Water GT PSC Repayment	\$3,086
FEMA Reimbursements	\$18,768
Water Meter Connection Income	\$12,534
Gain on Loan Restructuring	\$8,757
Health Insurance Reimbursement	\$5,437
Insurance Proceeds	
Interest Income	\$5,211
Other Income	<u>\$75,212</u>
Total Revenues	<u>\$1,220,404</u>
Grant	
Grant Revenue	<u>\$626,172</u>
Total Revenues and Grant	<u>\$1,846,576</u>
Net Expenditures Over Revenues	<u><u>\$326,847</u></u>

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



Robert C. Ryan

Certified Public Accountant

Post Office Box 91917, Louisville, KY 40291

502/239-5171 – Facsimile 502/239-5171

E mail robryan_cpa@bellsouth.net

February 6, 2011

**Report on Internal Control over Financial Statements and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing
Standards***

Fiscal Year ended June 30, 2011

To the Mayor and City Council
The City of Greensburg, Kentucky

Mayor and Council Members:

I have audited the financial statements of the City of Greensburg, Kentucky as of June 30, 2011 and for the year then ended, and have issued my report thereon February 6, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing my audit I considered the City of Greensburg, Kentucky's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the effectiveness of the financial statements, but not for the propose of expressing my opinion on the effectiveness of the City of Greensburg, Kentucky's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Greensburg, Kentucky internal control over financial reporting.

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 assign functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entities financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness as defined above.

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Licensed to practice as a Certified Public Accountant in Indiana and Kentucky

February 6, 2011

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greensburg, Kentucky's financial statements are free of material misstatements, I 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 the financial statement amount. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the City of Greensburg, Kentucky, management and others within the administration of the City, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Robert C. Ryan

Robert C. Ryan



Robert C. Ryan
 Certified Public Accountant
 Post Office Box 91917, Louisville, KY 40291
 502/239-5171 ~ Facsimile 502/239-5171
 E. mail robryan_cpa@bellsouth.net

February 6, 2012

To the Mayor and City Council Members
 The City of Greensburg, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Greensburg, Kentucky for the year ended June 30, 2011. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated February 6, 2012. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate policies. The significant accounting policies used by the City of Greensburg, Kentucky are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2011. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Greensburg, Kentucky's financial statements were:

General government activities, Depreciation Expense	\$129,764
Business-type activities, Depreciation Expense	\$321,319
Business-type activities, Amortization Expense	\$1,042

Management's estimate of the Depreciation expense is based on straight line depreciation over estimated service lives of 7 – 30 years. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is detailed in Note E, *Long – term Debt*, to the financial statements.

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Corrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that there were no difficulties or disagreements with management encountered while performing the audit of the City of Greensburg, Kentucky, financial statements as of June 30, 2011, and for the year then ended.

Consultation with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other independent accountants.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management of the City of Greensburg, Kentucky, while performing my audit.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the City of Greensburg, Kentucky, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

If there are any questions concerning this letter, I will be available to discuss them with the City Council as a whole at its convenience.

Yours truly,
Robert C. Ryan
Robert C. Ryan



Robert C. Ryan

Certified Public Accountant
Post Office Box 91917, Louisville, KY 40291
502/239-5171 ~ Facsimile 502/239-5171
E mail robryan_cpa@bellsouth.net

February 6, 2012

**Report Local Government Economic Assistance Program
City of Greensburg, Kentucky
For the Fiscal Year Ended June 30, 2011**

To the Mayor and City Council
The City of Greensburg, Kentucky

Kentucky Revised Statutes (KRS) 42.455 defines the priority expenditures for funds received from the Local Government Economic Assistance Program (LGEAP). LGEAP is a system of grants to local governments to improve the environment for new industry and improve the quality of life for the residents.

Grants obtained under this program shall be used for priority expenditures. One hundred percent (100%) of all monies in the fund shall be spent on priority categories limited to those described in section KRS 42.455 (2). In no event shall grants obtained under this program be used for expenses related to administration of government.

The City has established a system to track the receipt and disbursement of LGEAP in order to be in compliance with KRS 42.455.

This report is intended solely for the City of Greensburg, Kentucky, management and others within the administration of the City, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Robert C. Ryan

Robert C. Ryan