



City of Greensburg, Kentucky

Audit of the Financial Statements

As of June 30, 2013

And For the Year Then Ended

With Report of Independent Auditor

Table of Contents

| <u>Introductory Section</u> | Page |
|---|-------|
| Transmittal Letter | 1 |
| List of Officials | 2 |
| <u>Financial Section</u> | |
| Management's Discussion and Analysis | 3-12 |
| Report of Independent Auditor | 13-14 |
| <u>Basic Financial Statements</u> | |
| Government-wide Financial Statements | |
| Statement of Net Position | 15 |
| Statement of Activities | 16 |
| Fund Financial Statements | |
| Balance Sheet- Governmental Funds | 17 |
| Reconciliation of the Balance Sheets- Governmental Funds to the Statement of Net Position | 18 |
| Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Net Position – Proprietary Fund | 21-22 |
| Statement of Revenues, Expenditures and Changes in Net Position- Proprietary Fund | 23 |
| Statement of Cash Flows- Proprietary Fund | 24-25 |
| Notes to Basic Financial Statements | 26-46 |
| <u>Required Supplementary Information</u> | |
| Budgetary Comparison Schedule - General Government Fund, Municipal Aid Fund, Water and Sewer Fund | 47-49 |
| Notes to Required Supplementary Information | 50 |
| Information about Infrastructure Assets Reported Using the Modified Approach | 51-52 |

Table of Contents (continued)

| <u>Other Supplementary Information</u> | Page |
|--|-------|
| Schedule of General Government Activities | 53-54 |
| Schedule of Sewer and Water Service Activities | 55-56 |
| Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 57-58 |
| Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance With <i>OMB Circular A-133</i> | 59-60 |
| Schedule of Findings and Questioned Costs | 61-64 |
| Schedule of Expenditures of Federal Awards | 65 |

June 4, 2014

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, 2013, 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 Management's Discussion and Analysis, the Report of Independent Auditor, the basic 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.

Baldwin CPA's, PLLC, Certified Public Accountants, 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 auditing standards generally accepted in the United States of America and Government Auditing Standards.

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

City of Greensburg, Kentucky
Governmental Directory

City Hall
110 West Court St.
Greensburg, KY 42743

Telephone: 270/932-4298 270/932-7778 (facsimile)

City Council meetings held 2nd Monday of each month at 5:00 PM (CST)

City of Greensburg Officials

| <u>Title</u> | <u>Name</u> | <u>Term Expires</u> |
|---------------------------------|--------------------------------|----------------------------|
| Mayor | George C. "Lisle" Cheatham, II | December 31, 2014 |
| Council Member | Jerry Cowherd | December 31, 2014 |
| Council Member | Ed Gorin | December 31, 2014 |
| Council Member | Bradley Jones | December 31, 2014 |
| Council Member | Sandi Moran | December 31, 2014 |
| Council Member | William O. "Bill" Moore | December 31, 2014 |
| Council Member | Brenda Patterson | December 31, 2014 |
| City Clerk | Janie Casey | |
| Police Chief | Wayne Hedgespeth | |
| Fire Chief | Lawrence Gupton | |
| Public Works Director | Roger Skaggs | |
| Water Plant Chief Operator | Gordon Price | |
| Wastewater Plant Chief Operator | Eddie Wright | |
| E911 Coordinator | Ron Jones | |



**Financial Audit
As of the Year Ended
June 30, 2013**

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

Over the past several years we have continued to see signs that our Community Development strategy is continuing to deliver positive benefits for the community and this year was not any different. We are seeing not only continued efforts at new residential development but commercial development as well within the city. 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, while the unemployment rate in the country, the state, and the region continue to run high they are starting to move downward particularly in certain geographical areas and economic sectors. This will begin to create out migration pressures on rural communities that don’t have the same economic opportunities that these job growth areas have to offer and Greensburg can’t hide from these effects. This could negatively impact all of the city’s major income sources – property taxes, insurance premium receipts, business and occupational revenues. Our efforts at improving post-secondary educational access – directly and through greater broadband access - in the community, along with our continued active marketing of the community and region, are key to addressing this threat going forward.

As of this writing, the national economy is still continuing to recover from what has become known as the “Great Recession”. While the private sector continues its recovery, the financial effects and lack of political will at the Federal and State levels will especially hamper small local governments’ ability insure their competitiveness with larger and better funded communities. “Local Governments” are faced with rebuilding their “tax bases” while maintaining an ever more expensive organization and infrastructure. Greensburg has and will continue to be no different. While we have fared much better than other communities when it comes to the stability of our revenue streams, 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 a distant memory, 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 I have warned in the past few audit reports, the window of financial opportunity for the City of Greensburg is quickly shrinking, and in fact, barring improved job growth the City is at its limit for providing needed services. 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 the City has very little, if any, control over – such as pension costs, employee benefit costs, utilities and insurance. Utility costs alone are projected to increase by 26% over just the next four years. To put that into perspective this means Greensburg will face an increase of over \$72,000 per year between now and 2016 just to pay the electric and gas bills for the city. This fact alone demonstrates the importance of the City’s Energy and Utility Efficiency Performance Contract project. This project while costing nearly \$1.5 million, is guaranteed to be more than 70% paid for through increased energy and utility savings alone – not counting labor savings created by converting to electronic read water meters of over 840 man hours per year.

2013 Fiscal Year Overview

As always, when reviewing the financial condition of the City, it is best to break the discussion into at least two parts – the General Fund or, as it is sometimes called, the Current Expense Fund (CEF) and the Water and Sewer Fund, also referred to as Operation and Maintenance (O&M). The General Fund takes in all aspects of City Government such as Administration, Police, Fire, Public Works, the Renaissance Main Street Program and Community and Economic Development Departments. The final section of the audit strictly deals with the operation and maintenance of the Water and Wastewater Departments (O&M).

The first item I would like to address is what I consider our base General Fund revenue – Property and Occupational Tax, Franchise, and License/Permit fees. The 2013-year was the first to see a decline in this revenue calculation in several years – down by 5.49% or \$61,453. This was on top of the flat revenue year growth in 2012 and in contrast to growth of 2.46% in 2011, 2010’s increase of 7.45% and the increase of 5.48% we saw in 2009. Revenue generated from franchise and insurance premium taxes saw a decline, while business and occupational tax revenue was flat and property tax revenue saw a small increase mainly due to new property added to the local tax rolls.

As for Operations & Maintenance, once adjusting for depreciation, Water and Sewer saw a gain of just over \$120,000 – the second year in row this has been a positive number and just the second time in 14+ years. However, it should be noted that 2013 was another year when just basic maintenance expenses exceeded \$71,000, the majority of which would be avoided with the construction of a new Water Treatment facility, which has now begun. This facility would replace the current plant, which has reached its 50th anniversary of service to Greensburg and Green County.

Without a large financial cushion in place, the City must remain vigilant that the current rate structure is sufficient to cover the cost of operating and maintaining the quality and service of both the water and wastewater systems. This will remain a key to our ability to grow and attract residents as well as business and industry to our community.

General Fund and Governmental Activities

The City continues to maintain a solid base of working capital. The overall fund balance for CEF amounted to approximately \$747,000. This amount is an increase of \$43,798 from last year after accounting adjustments. The overall Net Position of the City’s General Governmental Activities saw one of its most significant leaps forward since completion of the downtown redevelopment project. The Net Position of the General Government Activities increased by \$862,164 before prior period adjustments.

Water and Wastewater Department (O&M)

Overall, Operation and Maintenance appears to have had a decline in cash on hand of \$81,034 in 2013, this was mainly due to pre-paid cost of the Water Treatment Plant project that are due to be reimbursed to the City upon award of the construction project contract and release of funds.

Again, in hindsight, this proves the rate increase implemented in 2010, along with the automatic annual COL increase has in fact put the City of Greensburg Utility system back to a break-even point – a fact that has now been proven again during the 2013 fiscal year. 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.

As noted above, without accounting for depreciation the system turned in an overall positive year of over \$120,000. However, including the depreciation charges of \$381,548 leaves a net decline of \$261,412 in the Net Position of the Greensburg Utility System.

Conclusion to Financial Highlights

The City of Greensburg turned in a solid financial performance for the fiscal year of 2013. We continued our recent history of growing the overall net position of the community. This has happened mainly due to the increased flow of grant proceeds as well as donated assets to the City of Greensburg enjoyed over the past several years. Over the past eleven years, the City of Greensburg has seen its total net position increase by over 270% - from just fewer than \$3 million in 2003 to nearly \$7.6 million today. For the 2013 fiscal year, the City of Greensburg saw an overall increase of \$600,752 or 9.61% in net position.

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 \$8 million in committed grant and loan funds for community projects such as a new Water Treatment Plant, improvements to the Greensburg/Green County E-911 system, the proposed Greenway Pedestrian and Bicycle Belt, and the Trail Town and Paddle Trail enhancements. 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. However, with continued retail consolidation the City of Greensburg will likely continue to see larger retail chains choose to exit this market for more profitable communities. Again, making it all that more important for the City and any willing partners in the community interested in seeing economic and population growth to step up and provide needed incentives, as well as economic and cultural assets.

As I continue to caution, the process of community development is by its very nature a slow process and will have to be given time to work over the long term. The economic recession and now recovery have played a significant role in this process. While it has made it tough on everyone individually, it has opened up some opportunities for our community that we have been able to take advantage of and over time will put us in a much better position to compete than we were even before the “Great Recession” took hold in 2008.

Future Events

The City currently has several projects in different stages of development or construction. As referenced in the 2012 report, the City and County along with the students of the Green County High School FBLA Club are still working to develop and implement a community wide recycling program which has already taken in over 100 tons of recyclable material to date – the first legitimate try at a sustainable community recycling program in Greensburg.

The City has now completed both the new Fire Department and Community Safe Room and Community and Senior Citizen Center projects as referenced in last year’s report. Also, the City has now bid and awarded the construction contracts for completion of the new 2.0 million gallons per day Water Treatment facility. Construction is underway and scheduled to be complete by the end of 2015. This project will set the stage for the adequate supply of reliable quality drinking water for Greensburg and Green County for the next fifty years.

Other projects in different stages of development and funding are expansion of the Green River Paddle Trail facilities to include public bathrooms and an open-air pavilion. The City is also in the preliminary stages of outlining phase one of a community “Greenway Belt” which will provide an opportunity for the community to walk, run or bike our community both for exercise as well as to provide safer pedestrian access.

The City is also working on rolling out a new up-to-date and more user friendly web site along with a new “Community Guide” that will also be used in a digital format. Also, having completed both a new community strategic plan with the help of the Kentucky League of Cities, as well as a new policy and procedure manual, we have moved on into codifying the City’s ordinances for the first time in nearly 30 years and drafting new employee job descriptions and pay scales as required by Kentucky law. Again, all of these will be made available on the City’s new web site along with copies of our monthly financial statements.

The City of Greensburg is also in the design phase of creating a “Free Internet Zone” in the downtown area of Greensburg. This will give visitors, residents and businesses access to a free high-speed Internet portal. Many individuals in the City and even more in the County do not have access to the information highway. This will also allow the City of Greensburg to network and share resources among all the City facilities and in turn save the City thousands of dollars in both telephone and broadband charges we are currently forced to pay.

Finally, the City is in the process of implementing the first of two Tax Increment Finance (TIF) Districts to provide incentives for new business development as well as for redevelopment of declining and blighted property. The same strategy has been used across the state and nation to create hundreds of new businesses and thousands of new jobs. Other community partners who are eligible to participate in the “Job Creation TIF” district will have to decide on their own if they are willing to participate in our efforts to create new jobs or if they are happy with what we have in our community now.

All of these projects will depend on various funding sources as well as building strong partnerships with other public and private agencies. However, each is very important in building the type of community

infrastructure we need to attract quality business prospects and provide opportunity for our residents. All of these projects will continue to push the City's resources to supply adequate infrastructure as well as the regulatory enforcement required to manage these new growth issues. It will be very important that the City manages these issues well from the start or we will create larger issues and problems for the community later on down the road.

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 hard 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 pressures 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 Year Then Ended June 30, 2013

| Condensed Statement of Net Position | Government Activities | Business-Type Activities | Total 2013 | Totals 2012 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Assets | | | | |
| Current Assets | \$ 1,188,432 | \$ 581,795 | \$ 1,770,227 | \$ 2,425,329 |
| Capital Assets, Net | 4,646,017 | 4,748,012 | 9,394,029 | 8,515,799 |
| Other Non Current Assets | 4,005 | 124,550 | 128,555 | 146,869 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Totals Assets | <u><u>\$ 5,838,454</u></u> | <u><u>\$ 5,454,357</u></u> | <u><u>\$ 11,292,811</u></u> | <u><u>\$ 11,087,997</u></u> |
| Liabilities | | | | |
| Current Liabilities | \$ 351,789 | \$ 275,162 | \$ 626,951 | \$ 981,511 |
| Long Term Debt | 517,491 | 2,532,036 | 3,049,527 | 3,068,855 |
| Other Long Term Liabilities | 4,683 | 26,797 | 31,480 | 53,430 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Totals Liabilities | <u><u>\$ 873,963</u></u> | <u><u>\$ 2,833,995</u></u> | <u><u>\$ 3,707,958</u></u> | <u><u>\$ 4,103,796</u></u> |
| Net Position | | | | |
| Invested in Capital; Assets, Net of Debt | \$ 4,076,905 | \$ 2,023,252 | \$ 6,100,157 | \$ 5,202,487 |
| Restricted | 57,905 | 168,369 | \$ 226,274 | 292,103 |
| Unrestricted | 829,681 | 428,741 | \$ 1,258,422 | 1,489,611 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Totals Net Position | <u><u>\$ 4,964,491</u></u> | <u><u>\$ 2,620,362</u></u> | <u><u>\$ 7,584,853</u></u> | <u><u>\$ 6,984,201</u></u> |

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2013

| Fiscal Year Ended June 30, Current Expense Fund Revenues | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Taxes | \$ 890,479 | \$ 939,779 | \$ 864,260 | \$ 896,735 | \$ 835,971 |
| Licenses and Permits | 11,529 | 15,146 | 13,314 | 16,158 | 8,769 |
| Intergovernmental Revenue | 72,198 | 74,953 | 54,553 | 64,461 | 66,310 |
| Franchise Fees | 124,817 | 133,443 | 153,218 | 137,471 | 132,823 |
| Grants | 914,975 | 73,875 | 103,028 | 86,461 | 349,362 |
| Rents | 64,667 | 84,157 | 103,591 | 94,384 | 71,279 |
| Interest Income | 6,894 | 6,828 | 4,139 | 3,210 | 6,192 |
| Other Income | 89,106 | 51,514 | 68,362 | 109,638 | 215,055 |
| Totals Revenues | \$ 2,174,665 | \$ 1,379,695 | \$ 1,364,465 | \$ 1,408,518 | \$ 1,685,761 |
| | | | | | |
| Fiscal Year Ended June 30, Current Expense Fund Expenditures | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Government | \$ 501,144 | \$ 570,470 | \$ 482,532 | \$ 549,452 | \$ 688,165 |
| Public Safety, Police | 436,027 | 479,287 | 483,198 | 426,597 | 408,509 |
| Public Safety, Fire | 38,471 | 99,910 | 27,768 | 25,733 | 34,569 |
| City Maintenance | 302,369 | 270,004 | 257,725 | 211,859 | 283,187 |
| Capital Expenditures | 1,212,515 | 79,206 | 102,244 | 99,832 | 461,378 |
| Totals Expenditures | \$ 2,490,526 | \$ 1,498,877 | \$ 1,353,467 | \$ 1,313,473 | \$ 1,875,808 |

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2013

| Fiscal Year Ended June 30, Current Expense Fund Revenues | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|----------------|----------------|----------------|----------------|----------------|
| Taxes | 40.95% | 68.11% | 63.34% | 63.67% | 49.59% |
| Licenses and Permits | 0.53% | 1.10% | 0.98% | 1.15% | 0.52% |
| Intergovernmental Revenue | 3.32% | 5.43% | 4.00% | 4.58% | 3.93% |
| Franchise Fees | 5.74% | 9.67% | 11.23% | 9.76% | 7.88% |
| Grants | 42.07% | 5.35% | 7.55% | 6.14% | 20.72% |
| Rents | 2.97% | 6.10% | 7.59% | 6.70% | 4.23% |
| Interest Income | 0.32% | 0.49% | 0.30% | 0.23% | 0.37% |
| Other Income | 4.10% | 3.73% | 5.01% | 7.78% | 12.76% |
| Totals Revenues | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |
| | | | | | |
| Fiscal Year Ended June 30, Current Expense Fund Expenditures | 2013 | 2012 | 2011 | 2010 | 2009 |
| Current Expense Fund | | | | | |
| General Government | 20.12% | 38.06% | 35.65% | 41.83% | 36.68% |
| Public Safety, Police | 17.51% | 31.98% | 35.70% | 32.48% | 21.78% |
| Public Safety, Fire | 1.54% | 6.67% | 2.05% | 1.96% | 1.84% |
| City Maintenance | 12.14% | 18.01% | 19.04% | 16.13% | 15.10% |
| Capital Expenditures | 48.69% | 5.28% | 7.55% | 7.60% | 24.60% |
| Totals Expenditures | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2013

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Business-type (Utility) Fund Revenues | | | | | |
| Water Service | \$ 853,289 | \$ 799,936 | \$ 792,530 | \$ 672,156 | \$ 682,398 |
| Sewer Service | 364,516 | 349,165 | 311,403 | 312,244 | 295,020 |
| Interest Income | 3,383 | 4,457 | 5,211 | 10,192 | 15,373 |
| Other Service | 30,918 | 63,873 | 75,211 | 61,767 | 70,719 |
| Totals Revenues | \$ 1,252,106 | \$ 1,217,431 | \$ 1,184,355 | \$ 1,056,359 | \$ 1,063,510 |
| As a percentage | | | | | |
| Water Service | 68.15% | 65.71% | 66.92% | 63.63% | 64.16% |
| Sewer Service | 29.11% | 28.68% | 26.29% | 29.56% | 27.74% |
| Interest Income | 0.27% | 0.37% | 0.44% | 0.96% | 1.45% |
| Other Service | 2.47% | 5.25% | 6.35% | 5.85% | 6.65% |
| Totals Revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Business-type (Utility) Fund Expenditures | | | | | |
| Personnel Cost | \$ 606,052 | \$ 568,192 | \$ 558,783 | \$ 536,595 | \$ 463,078 |
| Occupancy Expenses | 132,864 | 114,006 | 110,153 | 88,543 | 47,849 |
| Chemical and Testing Expenses | 75,586 | 88,107 | 83,209 | 90,411 | 98,410 |
| Maintenance and Repairs Expenses | 85,353 | 148,172 | 141,337 | 54,177 | 66,833 |
| Interest Expenses | 119,917 | 115,779 | 107,172 | 96,898 | 90,830 |
| Other Expenses | 112,198 | 171,423 | 192,620 | 198,934 | 203,149 |
| Depreciation and Amortization | 381,548 | 376,869 | 326,455 | 311,691 | 270,884 |
| Totals Expenditures | \$ 1,513,518 | \$ 1,582,548 | \$ 1,519,729 | \$ 1,377,249 | \$ 1,241,033 |
| As a percentage | | | | | |
| Personnel Cost | 40.04% | 35.90% | 36.77% | 38.96% | 37.31% |
| Occupational Expenses | 8.78% | 7.20% | 7.25% | 6.43% | 3.86% |
| Chemical and Testing Expenses | 4.99% | 5.57% | 5.48% | 6.56% | 7.93% |
| Maintenance and Repairs Expenses | 5.64% | 9.36% | 9.30% | 3.93% | 5.39% |
| Interest Expenses | 7.92% | 7.32% | 7.05% | 7.04% | 7.32% |
| Other Expenses | 7.41% | 10.83% | 12.67% | 14.44% | 16.37% |
| Depreciation and Amortization | 23.82% | 23.82% | 21.48% | 22.64% | 21.82% |
| Totals Expenditures | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2013

| Capital Assets at Year End | Government Activities | Business-Type Activities | Total 2013 | Totals 2012 |
|-----------------------------------|--------------------------|-----------------------------|----------------------|----------------------|
| Land | \$ 529,034 | \$ 145,450 | \$ 674,484 | \$ 674,484 |
| Buildings | 3,228,823 | 77,731 | 3,306,554 | 2,277,881 |
| Equipment | 233,479 | 435,980 | 669,459 | 622,977 |
| Furniture | 25,355 | - | 25,355 | 25,355 |
| Software | 27,619 | - | 27,619 | 27,619 |
| Vehicles | 372,635 | 124,526 | 497,161 | 396,743 |
| Sewer System | - | 5,644,371 | 5,644,371 | 5,482,965 |
| Water System | - | 5,034,700 | 5,034,700 | 4,940,707 |
| Streetscape | 1,591,028 | - | 1,591,028 | 1,591,028 |
| Connector Road | 161,150 | - | 161,150 | 161,150 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Capital Assets | <u>\$ 6,169,123</u> | <u>\$ 11,462,758</u> | <u>\$ 17,631,881</u> | <u>\$ 16,200,909</u> |

| Debt Outstanding at Year End | Government Activities | Business-Type Activities | Total 2013 | Totals 2012 |
|-------------------------------------|--------------------------|-----------------------------|---------------------|---------------------|
| Bonds Payable | \$ - | \$ 2,073,435 | \$ 2,073,435 | \$ 2,122,799 |
| Notes Payable | 569,112 | 642,077 | 1,211,189 | 1,112,128 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Debt Outstanding | <u>\$ 569,112</u> | <u>\$ 2,715,512</u> | <u>\$ 3,284,624</u> | <u>\$ 3,234,927</u> |

Independent Auditors' Report

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

Report on the Financial Statements

We 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, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Greensburg, Kentucky, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for each fund 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 budgetary comparison information on pages 3–12 and 47–49 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 City of Greensburg, Kentucky's basic financial statements. The introductory section on pages 1-2 and the other supplementary information on pages 53-56 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2014, on our consideration of the City of Greensburg, Kentucky'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 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 City of Greensburg, Kentucky's internal control over financial reporting and compliance.

Baldwin CPAs PLLC

Baldwin CPAs, PLLC
June 4, 2014

City of Greensburg, Kentucky
Statement of Net Position
As of June 30, 2013

| Assets | Governmental Activities | Business- Type Activities | Totals |
|--|------------------------------------|--|----------------------|
| Cash and Cash Equivalents | \$ 158,462 | \$ 173,096 | \$ 331,558 |
| Restricted Cash | 26,732 | 64,806 | 91,538 |
| Certificates of Deposit | 142,051 | 254,085 | 396,136 |
| Receivables | 482,632 | 429,279 | 911,911 |
| Interest Receivable | 1,015 | - | 1,015 |
| Notes Receivable, Interfund | 24,271 | - | 24,271 |
| Water Bond Sinking Fund | - | 124,550 | 124,550 |
| Internal Balances, net | 342,767 | (342,767) | - |
| Prepaid Expenses | 10,502 | 3,296 | 13,798 |
| Other Long Term Assets | 4,005 | - | 4,005 |
| Capital Assets | | | |
| General Government | 6,169,123 | - | 6,169,123 |
| Water and Sewer System | - | 11,462,759 | 11,462,759 |
| Accumulated Depreciation | (1,523,106) | (6,714,747) | (8,237,853) |
| Total Assets | \$ 5,838,454 | \$ 5,454,357 | \$ 11,292,811 |
| Liabilities | | | |
| Accounts Payable | \$ 199,829 | \$ 14,929 | \$ 214,758 |
| Accrued Expenses | 100,089 | 1,927 | 102,016 |
| Customer Deposits | 250 | 50,559 | 50,809 |
| Bonds and Notes Payable | | | |
| Due Within One Year | 51,621 | 183,476 | 235,097 |
| Due in More Than One Year | 517,491 | 2,532,036 | 3,049,527 |
| Notes Payable, Interfund | | | |
| Due Within One Year | - | 24,271 | 24,271 |
| Due in More Than One Year | - | - | - |
| Other Long Term Liabilities | 4,683 | 26,797 | 31,480 |
| Total Liabilities | \$ 873,963 | \$ 2,833,995 | \$ 3,707,958 |
| Net Position | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 4,076,905 | \$ 2,032,500 | \$ 6,109,405 |
| Restricted | 57,905 | 168,369 | 226,274 |
| Unrestricted | 829,681 | 419,493 | 1,249,174 |
| Total Net Position | \$ 4,964,491 | \$ 2,620,362 | \$ 7,584,853 |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2013

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--------------------|---------------------------------|-----------------------------|---------------------------|--|--|--------------------|
| | | Charges for Services | Operating Grants | Capital Grants | Primary Governmental Activities | Government Business-type Activities | Totals |
| Governmental Activities | | | | | | | |
| General Government | \$ (1,457,244) | \$ 76,832 | \$ 31,567 | \$ 844,104 | \$ (504,741) | | \$ (504,741) |
| Municipal Street Activity | - | - | 98,764 | - | 98,764 | | 98,764 |
| Total Governmental Activities | <u>(1,457,244)</u> | <u>76,832</u> | <u>130,331</u> | <u>844,104</u> | <u>(405,977)</u> | | <u>(405,977)</u> |
| Business-type Activities | | | | | | | |
| Water and Sewer Services | \$ (1,513,518) | 1,217,805 | - | - | | (295,713) | (295,713) |
| General Revenues | | | | | | | |
| Property Taxes | | | | | \$ 214,940 | \$ - | \$ 214,940 |
| Occupational/Net Profits Taxes | | | | | 443,411 | - | 443,411 |
| Fees, Licenses and Permits | | | | | 356,945 | - | 356,945 |
| Intergovernmental Revenue | | | | | 40,631 | - | 40,631 |
| Grant Revenue | | | | | 70,869 | - | 70,869 |
| Other Income | | | | | 134,379 | 30,918 | 165,297 |
| Unrestricted Interest Income | | | | | 6,894 | - | 6,894 |
| Restricted Interest Income | | | | | 72 | 3,383 | 3,455 |
| Total General Revenues | | | | | <u>1,268,141</u> | <u>34,301</u> | <u>1,302,442</u> |
| Net Change, Governmental and Business-type Activities | | | | | 862,164 | (261,412) | 600,752 |
| Net Position, July 1, 2012, as previously presented | | | | | 4,840,326 | 2,545,689 | 7,386,015 |
| Prior Period Adjustments to Opening Net Position (Note L) | | | | | (737,999) | 336,085 | (401,914) |
| Net Position, July 1, 2012, as restated | | | | | <u>4,102,327</u> | <u>2,881,774</u> | <u>6,984,101</u> |
| Net Position, June 30, 2013 | | | | | <u>\$4,964,491</u> | <u>\$2,620,362</u> | <u>\$7,584,853</u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
As of June 30, 2013

| | General Government <u>Fund</u> | Municipal Aid <u>Fund</u> | Total Governmental <u>Funds</u> |
|--|---|--|--|
| Assets | | | |
| Cash and Cash Equivalents | | | |
| Cash | \$ 128,304 | \$ 30,158 | \$ 158,462 |
| Cash, Restricted | 26,732 | - | 26,732 |
| Certificates of Deposit | 142,051 | - | 142,051 |
| Receivables | 482,632 | - | 482,632 |
| Interest Receivable | - | 1,015 | 1,015 |
| Prepaid Expenses | 10,502 | - | 10,502 |
| Due from Other Funds | 563,930 | 85,676 | 649,606 |
| Total Assets | <u>\$ 1,354,151</u> | <u>\$ 116,849</u> | <u>\$ 1,471,000</u> |
| Liabilities | | | |
| Accounts Payable | \$ 199,829 | \$ - | \$ 199,829 |
| Accrued Expenses | 100,339 | - | 100,339 |
| Due to Other Funds | 306,839 | - | 306,839 |
| Total Liabilities | <u>\$ 607,007</u> | <u>\$ -</u> | <u>\$ 607,007</u> |
| Fund Balance | | | |
| Non-spendable | \$ 10,502 | \$ - | \$ 10,502 |
| Restricted | 26,732 | 30,158 | 56,890 |
| Unassigned | 709,910 | 86,691 | 796,601 |
| Total Fund Balances | <u>747,144</u> | <u>116,849</u> | <u>863,993</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,354,151</u> | <u>\$ 116,849</u> | <u>\$ 1,471,000</u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
As of June 30, 2013

Total Fund Balance - Total Governmental Funds \$ 863,993

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated depreciation of \$1,523,106. 4,646,017

Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the fund financial statements. 28,276

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (569,112)

Other Long-Term Liabilities are not reported in the fund financial statements. (4,683)

Net Position of Government Activities \$ 4,964,491

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2013

| | General Government <u>Fund</u> | Municipal Aid <u>Fund</u> | Total Governmental <u>Funds</u> |
|--|---|--|--|
| Revenues | | | |
| Franchise Fees | \$ 124,817 | \$ - | \$ 124,817 |
| Insurance Premium Tax | 232,128 | - | 232,128 |
| Occupational Tax | 443,411 | - | 443,411 |
| Property Tax | 214,940 | - | 214,940 |
| Rent Income | 64,667 | - | 64,667 |
| Other Revenues | 100,635 | - | 100,635 |
| Intergovernmental Revenues | 72,198 | 98,764 | 170,962 |
| Grant Revenues | 914,975 | - | 914,975 |
| Interest Income | 6,894 | 72 | 6,966 |
| Total Revenues | <u>2,174,665</u> | <u>98,836</u> | <u>2,273,501</u> |
| Expenditures | | | |
| General Government | (1,250,722) | - | (1,250,722) |
| Municipal Streets | (23,136) | - | (23,136) |
| Debt Service | | | |
| Principal | (46,619) | - | (46,619) |
| Interest | (20,838) | - | (20,838) |
| Capital Outlay | (1,149,211) | - | (1,149,211) |
| Total Expenditures | <u>(2,490,526)</u> | <u>-</u> | <u>(2,490,526)</u> |
| Excess of Revenues and Grants Over (Under) Expenditures | <u>(315,861)</u> | <u>98,836</u> | <u>(217,025)</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Long-term Debt | 219,752 | - | 219,752 |
| Proceeds from Sale of Assets | 45,907 | - | 45,907 |
| Transfer from (to) Water and Sewer Fund | - | - | - |
| Transfer from (to) Municipal Aid Fund | 94,000 | (94,000) | - |
| Net Other Financing Sources (Uses) | <u>359,659</u> | <u>(94,000)</u> | <u>265,659</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 43,798 | 4,836 | 48,634 |
| Fund Balances, July 1, 2012, as previously presented | 531,163 | 26,337 | 557,500 |
| Adjustment to Opening Fund Balance (Note L) | 172,183 | 85,676 | 257,859 |
| Fund Balances, July 1, 2012, as restated | <u>703,346</u> | <u>112,013</u> | <u>815,359</u> |
| Fund Balances, June 30, 2013 | <u>\$ 747,144</u> | <u>\$ 116,849</u> | <u>\$ 863,993</u> |

See accompanying notes to the financial statements.

**City of Greensburg, Kentucky
 Reconciliation of the Statement of
 Revenues, Expenditures, and Changes
 In Fund Balances of Governmental Funds
 To the Statement of Activities
 As of June 30, 2013**

Net change in fund balance- total governmental funds \$ 48,634
**Amounts reported for governmental activities in the statement of
 activities are different because:**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

| | |
|---------------------------------|-----------|
| Capital outlays as expenditures | 1,149,211 |
| Amortization and depreciation | (176,332) |

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

| | |
|-----------------------------|-----------|
| Repayment of debt principal | 46,716 |
| Proceeds of debt issued | (219,752) |

| | |
|---|---------------|
| Increases in other long-term liabilities provide current financial resources. | <u>13,687</u> |
|---|---------------|

| | |
|--|--------------------------|
| Change of Net Position of Governmental Activities | <u><u>\$ 862,164</u></u> |
|--|--------------------------|

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2013

| Assets | Water and Sewer <u>Utility</u> |
|--------------------------------|---|
| Current Assets | |
| Cash and Cash Equivalents | \$ 173,096 |
| Restricted Cash | 64,806 |
| Cetificates of Deposit | 254,085 |
| Accounts Receivables | 429,279 |
| Prepaid Expenses | 3,296 |
| Total Current Assets | <u>924,562</u> |
| Non-current Assets | |
| Capital Assets | |
| Water and Sewer System | 11,462,759 |
| Accumulated Depreciation | (6,714,747) |
| Water Bond Sinking Fund | 124,550 |
| Due from Other Funds | 147,956 |
| Total Non-current Assets | <u>5,020,518</u> |
| Total Assets | <u><u>\$ 5,945,080</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | \$ 14,929 |
| Accrued Expenses | 1,927 |
| Customer Deposits | 50,559 |
| Bonds and Notes Payable | |
| Due Within One Year | 183,476 |
| Notes Payable, Interfund | |
| Due Within One Year | 24,271 |
| Total Current Liabilities | <u>275,162</u> |
| Non-current Liabilities | |
| Accrued Compensated Absenses | 26,797 |
| Bonds and Notes Payable | |
| Due in More Than One Year | 2,532,036 |
| Due to Other Funds | 490,723 |
| Total Non-current Liabilities | <u>3,049,556</u> |
| Total Liabilities | <u><u>\$ 3,324,718</u></u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds - Continued
As of June 30, 2013

| Net Position | Water and Sewer <u>Utility</u> |
|--|---|
| Invested in Capital Assets, Net of Related Debt | \$ 2,032,500 |
| Restricted | 168,369 |
| Unrestricted | <u>419,493</u> |
| Total Net Position | <u>2,620,362</u> |
| Total Liabilities and Net Position | <u><u>\$ 5,945,080</u></u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Position - Proprietary Fund
For the Year Ended June 30, 2013

| | Water and Sewer Utility |
|---|--|
| Operating Revenues | |
| Sewer Service | \$ 364,516 |
| Water Service | 836,285 |
| Water GT PSC Repayment | 3,704 |
| Water Meter Connection | 13,300 |
| Total Operating Revenues | <u>1,217,805</u> |
| Operating Expenses | |
| Salaries and Benefit Expenses | 606,052 |
| Contractual | 41,107 |
| Materials and Supplies | 84,969 |
| Repairs and Maintenance | 85,353 |
| Utilities | 125,736 |
| Other Expenses | 68,836 |
| Total Operating and Maintenance Expenses | <u>1,012,053</u> |
| Operating Income Before Depreciation and Amortization | 205,752 |
| Depreciation and Amortization | <u>381,548</u> |
| Operating Income (Loss) | <u>(175,796)</u> |
| Non - Operating Revenues (Expenses) | |
| Interest Expense | (119,917) |
| Health Insurance Reimbursement | 3,926 |
| Interest Income | 3,383 |
| Insurance Proceeds | 1,934 |
| Other Income | 25,058 |
| Total Non - Operating Income (Expenses) | <u>(85,616)</u> |
| Change in Net Position | (261,412) |
| Net Position, July 1, 2012, as previously presented | 2,545,689 |
| Adjustments to Opening Net Position (Note L) | 336,085 |
| Net Position, July 1, 2012, as restated | <u>2,881,774</u> |
| Net Position, June 30, 2013 | <u>\$ 2,620,362</u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

**Water and
Sewer
Utility**

| | |
|--|-------------------|
| Cash Flow from Operating Activities: | |
| Cash Received from Customers | \$ 1,215,773 |
| Cash Payments made to Suppliers for Goods and Services | (409,297) |
| Cash Payments made to Employees and Professionals | (590,034) |
| | <hr/> |
| Net Cash Provided by Operating Activities | 216,442 |
| | <hr/> |
| Cash Flows from Non-Capital and Related Financing Activities: | |
| Interfund Activity | 142,224 |
| Customer Deposits (net) | (367) |
| | <hr/> |
| Net Cash Provided by Non-Capital and Related Financing Activities | 141,857 |
| | <hr/> |
| Cash Flows from Capital and Related Financing Activities: | |
| Principal Paid on Long-term Debt | (168,204) |
| Transfers to Water Bond Sinking Fund | (20,451) |
| Payments Received on Grants Receivable | 108,360 |
| Interest Paid on Notes and Bonds | (119,917) |
| Additions to Capital Assets | (281,762) |
| | <hr/> |
| Net Cash Used by Capital and Related Financing Activities | (481,974) |
| | <hr/> |
| Cash Flows from Investing Activities | |
| Proceeds from Certificates of Deposits | 8,340 |
| Insurance Proceeds | 1,934 |
| Interest on Certificates of Deposits | 3,383 |
| Other Receipts | 28,984 |
| | <hr/> |
| Net Cash Provided by Investing Activities | 42,641 |
| | <hr/> |
| Net Decrease in Cash and Cash Equivalents | (81,034) |
| Cash and Cash Equivalents June 30, 2012 | 318,936 |
| | <hr/> |
| Cash and Cash Equivalents June 30, 2013 | \$ 237,902 |
| | <hr/> <hr/> |
| Cash and Cash Equivalents | \$ 173,096 |
| Restricted Cash | 64,806 |
| Total Cash | <hr/> <hr/> |
| | <hr/> <hr/> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Cash Flows - Continued
Proprietary Fund
For the Year Ended June 30, 2013

| | Water and Sewer <u>Utility</u> |
|---|---|
| Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Loss | \$ (175,796) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation and Amortization | 381,548 |
| Increases (Decreases) In: | |
| Accounts Receivables | (1,200) |
| Prepaid Expenses | (3,296) |
| Accounts Payable | (1,692) |
| Accrued Expenses | (98) |
| Other | 16,976 |
| Net Cash Provided by Operating Activities | <u><u>\$ 216,442</u></u> |

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note A– Summary of Significant Accounting Policies

Reporting Entity

The City of Greensburg, Kentucky was incorporated December 4, 1794. The City operates under a Mayor-Council form of government. The City's major operations include fire and police protection, parks and recreation, and general administrative services. In addition, the City operates a water and sewer system.

The citizens of Greensburg elect a mayor-at-large and six (6) city council members.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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 government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

Funds are organized into two major categories: governmental and proprietary.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Governmental Funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary Funds are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following fund types are used by the City:

Governmental Funds

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally or administratively restricted to expenditures for specific purposes. The City maintains the following Special Revenue Funds:

Municipal Road Aid– These funds are used to account for revenues and expenditures of Kentucky public safety, public works and economic development grants, liquid fuel tax, mineral and coal severance tax receipts.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's Enterprise Fund was established to account for the acquisition, operation and maintenance of the City's water and sewer facilities, which are entirely or predominantly supported by user charges.

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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter (generally 60 days after year-end) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, and capital contributions.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both non-spendable and spendable components into the following components:

Non-spendable - amounts that must be maintained intact legally or contractually. Generally limited to prepaid expenses and inventory.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned - for all governmental funds, other than the general fund, any remaining positive amounts not classified as non-spendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

General Fund

The General Fund has unassigned fund balance of \$709,910 as of June 30, 2013. Prepaid expenses of \$10,502 are considered non-spendable.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$30,158 that are set aside for City road repairs.

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.

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures are based on cash receipts and expenditures. Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For the year ended June 30, 2013, expenditures exceeded appropriations in the general fund by \$43,443.

Cash and Deposits

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts.

Accounts Receivable

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, interest earnings, fees, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting in the same manner as non-exchange transactions.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

The Utility accounts receivable are for services to customers. If a customer fails to pay within 20 days after the prior month's bill, their water service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month and the usage from then until the last day of the month is not billed until the following month. Utility accounts receivable in the amount of \$229,571 comprises the majority of proprietary fund receivables.

Notes Receivable

The General Fund has an agreement with the Enterprise Fund under which cash was advanced to Enterprise Fund for the purpose of providing operating capital. The advance, \$24,271, is reported as Notes Receivable in Governmental Activities and Notes Payable in the Business-Type Activities, Statement of Net Position, net of repayments made during fiscal year end June 30, 2013. No uncollectible allowance has been established for the receivables.

Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

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

Certain debt proceeds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable debt agreement. Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

Capital Assets

The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized. The City has established a threshold of \$1,000 for capitalization of depreciable assets.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|------------------------|-------------|
| Buildings | 35-50 years |
| Land improvements | 10-15 years |
| Vehicles and equipment | 5-10 years |
| Infrastructure | 50 years |
| Utility plant assets | 10-50 years |

Infrastructure

The City has elected to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The City uses a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

The condition of street pavement is rated using the Asphalt Institute's *Asphalt Pavement Rating Form*, which bases ratings on a weighted average of thirteen defects found in pavements. The form uses a measurement scale that is based on a condition index rating from zero for failed pavement to 100 for pavement in perfect condition. The condition index is used to classify roads and streets in seven categories: very good (94-100), good (76-93), fair (64-75), poor (41- 63), very poor (0-40). It is the City's policy to maintain at least 80% of its street system in good or better condition.

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 liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salary and fringe benefits.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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> |
|---|-----------------------------|
| <input type="checkbox"/> Due date for payment | Upon receipt |
| <input type="checkbox"/> 2% discount applies | To November 30 |
| <input type="checkbox"/> Face value payment period | To December 31 |
| <input type="checkbox"/> Past due date, 10% penalty | January 1 |
| <input type="checkbox"/> Interest charges | 1.0% per month at January 1 |

Vehicle taxes are collected by the County Clerk of Green County. Vehicle taxes are due in the birth month of the licensee.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note B – Cash and Deposits

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. At June 30, 2013, all funds of the City were substantially insured or collateralized.

The table presented below is designed to disclose the level of custodial credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2013. The categories of credit risk are defined as follows:

- Insured or collateralized with securities held by the government or its agent in the government's name.
- Uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the government's name, or collateralized with no written or approved collateral agreement.

| Type of Deposit | Category | | | Total Bank Balance | Total Carrying Amount |
|---------------------------|-------------------|-------------------|-------------|--------------------------|-----------------------------|
| | 1 | 2 | 3 | | |
| Demand Deposits | \$ 257,692 | \$ 313,815 | \$ - | \$ 571,507 | \$ 423,096 |
| Savings and time deposits | \$ 396,136 | \$ - | \$ - | \$ 396,136 | \$ 396,136 |
| Total | <u>\$ 653,828</u> | <u>\$ 313,815</u> | <u>\$ -</u> | <u>\$ 967,643</u> | <u>\$ 819,232</u> |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note C – Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

| Capital Asset Class | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---------------------------------------|-------------------------|--------------------|-------------|--------------------------|
| Governmental Activities: | | | | |
| Land | \$ 529,034 | \$ - | \$ - | \$ 529,034 |
| Buildings | 2,200,150 | 1,028,673 | - | 3,228,823 |
| Equipment | 189,864 | 43,615 | - | 233,479 |
| Furniture | 25,355 | - | - | 25,355 |
| Software | 27,619 | - | - | 27,619 |
| Vehicles | 295,713 | 76,922 | - | 372,635 |
| Streetscape | 1,591,028 | - | - | 1,591,028 |
| Connector Road | 161,150 | - | - | 161,150 |
| Total Capital Assets | <u>5,019,913</u> | <u>1,149,210</u> | <u>-</u> | <u>6,169,123</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (547,562) | (65,680) | - | (613,242) |
| Equipment | (155,574) | (23,939) | - | (179,513) |
| Furniture | (25,355) | - | - | (25,355) |
| Software | (26,525) | (547) | - | (27,072) |
| Vehicles | (226,965) | (33,096) | - | (260,061) |
| Streetscape | (349,813) | (32,597) | - | (382,410) |
| Connector Road | (14,980) | (20,473) | - | (35,453) |
| Total accumulated depreciation | <u>(1,346,774)</u> | <u>(176,332)</u> | <u>-</u> | <u>(1,523,106)</u> |
| Total capital assets, net | <u>\$ 3,673,139</u> | <u>\$ 972,878</u> | <u>\$ -</u> | <u>\$ 4,646,017</u> |
| Business-Type Activities: | | | | |
| Land | \$ 145,450 | \$ - | \$ - | \$ 145,450 |
| Buildings | 77,731 | - | - | 77,731 |
| Equipment | 433,113 | 2,867 | - | 435,980 |
| Sewer System | 5,482,965 | 161,406 | - | 5,644,371 |
| Vehicles | 101,030 | 23,496 | - | 124,526 |
| Water System | 4,940,707 | 93,993 | - | 5,034,700 |
| Total cost | <u>\$ 11,180,996</u> | <u>\$ 281,762</u> | <u>\$ -</u> | <u>\$ 11,462,758</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (75,331) | \$ (600) | \$ - | \$ (75,931) |
| Equipment | (395,299) | (20,240) | - | (415,539) |
| Sewer System | (3,154,253) | (192,217) | - | (3,346,470) |
| Vehicles | (96,230) | (3,525) | - | (99,755) |
| Water System | (2,617,222) | (159,830) | - | (2,777,052) |
| Total accumulated depreciation | <u>(6,338,335)</u> | <u>(376,412)</u> | <u>-</u> | <u>(6,714,747)</u> |
| Total capital assets, net | <u>\$ 4,842,661</u> | <u>\$ (94,650)</u> | <u>\$ -</u> | <u>\$ 4,748,011</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note D - Receivables

As of June 30, 2013, the Receivables due the City consist of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|----------------------------|------------------------------------|-------------------------------------|
| Recycling Grant | \$ 21,090 | \$ - |
| COPS Grant | 9,126 | - |
| Emergency 911 | 29,537 | - |
| Fire/EMS Hazard Mitigation | 50,000 | - |
| Franchise Fees | 6,539 | - |
| Senior Center Grant | 166,435 | - |
| Insurance Premium Tax | 54,023 | - |
| KLEFPF | 1,803 | - |
| Licenses | 1,324 | - |
| Other | 7,239 | - |
| Property Tax Revenue | 3,725 | - |
| Delinquent Property Tax | 18,630 | - |
| Occupational Tax | 111,789 | - |
| Vehicle Tax | 1,372 | - |
| Utility Grants | - | 199,708 |
| Utility Service Customers | <u>-</u> | <u>229,571</u> |
| Net Receivables | <u>\$ 482,632</u> | <u>\$ 429,279</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note E Bonds and Notes Payable

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, 2013, the governmental debt of the City of Greensburg, Kentucky consisted of the following:

| | <u>Balance</u> | <u>Current</u> |
|--|-------------------|-----------------|
| Note Payable with bank, original issue amount of \$60,000; dated March 14, 2008; secured by PBI Bank certificate of deposit No. 212434610; interest rate of 5.25% with final maturity dated June 30, 2013. | \$10,000 | \$10,000 |
| Note Payable with bank, original issue amount of \$137,245; dated January 9, 2012; secured by real property located at 106 West Court Street, Greensburg, Kentucky; interest rate of 5%; with final maturity dated January 9, 2024 | 105,809 | 6,818 |
| Note Payable with bank, original issue amount of \$75,236; dated February 21, 2012; secured by police vehicles (3); interest rate of 3.25%; payments due quarterly; final maturity dated February 21, 2017. | 53,551 | 14,803 |
| Fixed Rate Swap Lease with bank, original issue amount of \$300,000; dated July 18, 2005; secured by personal property; interest rate of 3.88%; with final maturity dated April 1, 2020. | 180,000 | 20,000 |
| Note payable with bank original issue amount \$304,105; dated December 7, 2012; secured by assignment of leases and rents and mortgage on real property; variable interest rate is 3.5%; with final maturity date December 7, 2014 | <u>219,752</u> | <u>-</u> |
| Total Notes Payable and Fixed Rate Swap Lease | <u>\$ 569,112</u> | <u>\$51,621</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Business-type Activities

As of June 30, 2013, the interfund long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

| | <u>Balance</u> | <u>Current</u> |
|--|------------------|------------------|
| City of Greensburg Current Expense Fund (CEF), original issue \$70,000; dated February 6, 2011; non-secured; interest rate is 4.0%; \$2,067 due monthly; due June 30, 2014 | \$ 24,271 | \$ 24,271 |
| Total Notes Payable, Interfund | <u>\$ 24,271</u> | <u>\$ 24,271</u> |

As of June 30, 2013, the long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

| | <u>Balance</u> | <u>Current</u> |
|--|--------------------|------------------|
| United States Department of Agriculture (USDA) Rural Development Revenue Bonds; original issue amount of \$1,852,000; dated April 13, 1993; secured by City utility revenues; interest rate of 5%; with final maturity dated January 1, 2031 | \$1,284,000 | \$ 45,000 |
| United States Department of Agriculture (USDA) Rural Development; original issue amount of \$450,000; dated September 19, 2011; secured by City utility revenues; interest rate of 4.125%; with final maturity dated January 1, 2048 | 434,100 | 5,700 |
| Kentucky Infrastructure Authority (KIA) Note Payable; original issue amount \$542,486; dated May 9, 1989; secured by City utility revenues; interest rate is variable; with final maturity dated January 1, 2016 | 364,583 | \$ 5,000 |
| Kentucky League of Cities (KLC) Morehead Pool 2007 Variable Rate Note; original issue amount of \$100,000; dated February 16, 2006; unsecured note; interest rate is variable; with final maturity dated April 1, 2026 | 72,271 | 4,473 |
| United States Department of Agriculture (USDA) Rural Development; original issue amount of \$450,000; dated November 10, 2011; unsecured note; interest rate is 2.25%; with final maturity date November 2051 | 450,000 | 3,497 |
| Note payable with bank; original issue amount \$120,200; dated May 1, 2012; unsecured note; interest rate is 3.5%; with final maturity date May 1, 2014 | 119,806 | 119,806 |
| Unamortized bond discount and loss on extinguishment of debt | (9,248) | - |
| Total Bonds and Notes Payable | <u>\$2,715,512</u> | <u>\$183,476</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2013:

General Government Activities

| | <u>June 30,</u> <u>2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30,</u> <u>2013</u> |
|--|--------------------------------|-------------------|-------------------|--------------------------------|
| \$60,000, Note with bank, due June 30, 2013, interest @ 5.25%, secured by certificate of deposit | \$ 10,000 | - | - | \$ 10,000 |
| \$137,245, Note with bank, dated January 9, 2012; secured by real property located at 106 West Court Street, Greensburg, KY; interest rate of 5%; due January 9, 2024 | 114,328 | - | (8,519) | 105,809 |
| \$75,236, Note with bank, due February 21, 2017, 3.25% interest annual interest, Secured by police vehicles (3) | 71,748 | - | (18,197) | 53,551 |
| \$300,000, Fixed Rate Swap Lease with bank, original issue amount of \$300,000; dated July 18, 2005; secured by personal property; interest rate 3.88% fixed; with final maturity dated April 1, 2020 | 200,000 | - | (20,000) | 180,000 |
| Note payable with bank; original issue amount \$304,105; dated December 7, 2012; secured by assignment of leases and rents and mortgage on real property; 3.5% interest, rate; with final maturity date December 7, 2014 | <u>-</u> | <u>\$ 219,752</u> | <u>-</u> | <u>219,752</u> |
| | <u>\$396,076</u> | <u>\$ 219,752</u> | <u>(\$46,716)</u> | <u>\$ 569,112</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

| <u>Business-type Activities</u> | <u>June 30,</u> <u>2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30,</u> <u>2013</u> |
|---|--------------------------------|------------------|--------------------|--------------------------------|
| United States Department of Agriculture (USDA) Rural Development Revenue Bonds 1993 Series; maturing January 1, 2031, interest @ 5.00% | \$ 1,328,000 | | (\$ 44,000) | \$ 1,284,000 |
| 1989 F Kentucky Infrastructure Authority (KIA) Revenue Bonds, original issue \$542,486; maturing through January 1, 2016, interest variable | 369,583 | | (5,000) | 364,583 |
| United States Department of Agriculture (USDA) Rural Development, original issue \$450,000 due January 1, 2048, interest @ 4.125%, secured by revenue bonds | 439,600 | | (5,500) | 434,100 |
| Kentucky League of Cities Long-term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured by City revenues | 76,584 | | (4,313) | 72,271 |
| PBI Bank, Inc., original issue \$300,085; due November 30, 2012; interest @ 3.25%, unsecured | 69,265 | | (69,265) | - |
| United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured | 450,000 | | | 450,000 |
| Note with bank, original issue \$120,200; due May 1, 2014, interest @ 3.5%, unsecured | 120,200 | | (394) | 119,806 |
| Unamortized bond discount and loss on extinguishment of debt | <u>(14,384)</u> | | <u>5,136</u> | <u>(9,248)</u> |
| | <u>\$2,838,848</u> | <u>\$ 0</u> | <u>(\$123,336)</u> | <u>\$2,715,512</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

The annual requirements (principal, interest, and fees) to amortize the long-term debt outstanding as of June 30, 2013 is as follows:

| | General Government Activity | | | | | |
|-----------|-----------------------------|-------------------|-------------------|------------------|------------------|------------------|
| | Loan # | Loan # | Loan # | Bank | Loan # | Total |
| | <u>7100162366</u> | <u>7100219471</u> | <u>7100364988</u> | <u>Note</u> | <u>3084264</u> | |
| 2014 | \$10,000 | \$13,025 | \$16,367 | \$27,630 | | \$67,022 |
| 2015 | | 13,025 | 16,367 | 26,693 | 219,752 | 275,837 |
| 2016 | | 13,025 | 16,367 | 25,767 | | 55,159 |
| 2017 | | 13,025 | 8,182 | 24,831 | | 46,038 |
| 2018 | | 13,025 | | 28,684 | | 41,709 |
| 2019-2023 | | 65,125 | | 78,975 | | 144,100 |
| 2024-2028 | | 7,595 | | | | 7,595 |
| Totals | <u>10,000</u> | <u>137,845</u> | <u>57,283</u> | <u>212,580</u> | <u>219,752</u> | <u>637,460</u> |
| Current | 10,000 | 13,025 | 16,367 | 27,630 | | 67,022 |
| <hr/> | | | | | | |
| Long-term | <u>\$0</u> | <u>\$124,820</u> | <u>\$40,916</u> | <u>\$184,950</u> | <u>\$219,752</u> | <u>\$570,438</u> |

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2013

The annual requirements (principal, interest, and fees) to amortize the long-term debt outstanding as of June 30, 2013 is as follows:

Business Type Activity

| | 1993 | USDA | KIA | | USDA | | | Current | |
|------------------|---------------------|---------------------------|---------------------|--------------------|---------------------------|--------------------|----------------------|--------------------|----------------------|
| | Serial | Rural | Revenue | KLC | Rural | Forcht Bank | | Expense | |
| | <u>Bonds</u> | <u>Development</u> | <u>Bonds</u> | <u>Note</u> | <u>Development</u> | <u>Note</u> | <u>Totals</u> | <u>Fund</u> | <u>Totals</u> |
| 2014 | 109,200 | 22,990 | 49,960 | 7,345 | 17,121 | 119,806 | 326,422 | 24,271 | 24,271 |
| 2015 | 109,950 | 22,990 | 343,860 | 7,345 | 17,121 | | 501,266 | | |
| 2016 | 109,550 | 22,990 | | 7,345 | 17,121 | | 157,006 | | |
| 2017 | 110,050 | 22,990 | | 7,345 | 17,121 | | 157,506 | | |
| 2018 | 109,400 | 22,990 | | 7,345 | 17,121 | | 156,856 | | |
| 2019-2023 | 548,750 | 114,950 | | 36,725 | 85,605 | | 786,030 | | |
| 2024-2028 | 550,000 | 114,950 | | 20,810 | 85,605 | | 771,365 | | |
| 2029-2033 | 331,650 | 114,950 | | | 85,605 | | 532,205 | | |
| 2034-2038 | | 114,950 | | | 85,605 | | 200,555 | | |
| 2039-2043 | | 114,950 | | | 85,605 | | 200,555 | | |
| 2044-2048 | | 114,950 | | | 85,605 | | 200,555 | | |
| 2049-2052 | | | | | 94,070 | | 94,070 | | |
| Totals | 1,978,550 | 804,650 | 393,820 | 94,260 | 693,305 | 119,806 | 4,084,391 | 24,271 | 24,271 |
| Current | 109,200 | 22,990 | 49,960 | 7,345 | 17,121 | 119,806 | 326,422 | 24,271 | 24,271 |
| Long-term | 1,869,350 | 781,660 | 343,860 | 86,915 | 676,184 | 0 | 3,757,969 | 0 | 0 |

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental and business-type activities, as of June 30, 2013 are as follows:

| | Governmental Activities | | | Business-Type Activities | | |
|---------------|--------------------------------|------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 51,621 | \$ 15,401 | \$ 67,022 | \$ 183,476 | \$ 142,946 | \$ 326,422 |
| 2015 | 263,915 | 11,922 | 275,837 | 425,891 | 75,375 | 501,266 |
| 2016 | 44,821 | 10,338 | 55,159 | 69,200 | 87,806 | 157,006 |
| 2017 | 37,148 | 8,890 | 46,038 | 72,687 | 84,819 | 157,506 |
| 2018 | 30,082 | 11,627 | 41,709 | 75,185 | 81,671 | 156,856 |
| 2019-2023 | 134,057 | 10,043 | 144,100 | 432,671 | 353,359 | 786,030 |
| 2024-2028 | 7,468 | 127 | 7,595 | 525,047 | 246,318 | 771,365 |
| 2029-2033 | - | - | - | 413,700 | 118,505 | 532,205 |
| 2034-2038 | - | - | - | 132,600 | 67,955 | 200,555 |
| 2039-2043 | - | - | - | 155,700 | 44,855 | 200,555 |
| 2044-2048 | - | - | - | 184,100 | 16,455 | 200,555 |
| 2049-2052 | - | - | - | 54,503 | 39,567 | 94,070 |
| Totals | \$ 569,112 | \$ 68,348 | \$ 637,460 | \$ 2,724,760 | \$ 1,359,631 | \$ 4,084,391 |

Note F- Compliance with Bond Ordinance

The USDA Rural Development Revenue Bonds of 1993 requires the City to create and maintain separate funds or accounts for the Sewer Fund:

Depreciation - This account is to receive from the remaining revenues of the system \$916 each month. The City is in compliance with the ordinance.

Bond and Interest Sinking - This account is to receive, monthly, one sixth (1/6) of the next interest installment and one-twelfth (1/12) of the next annual principal payment. The City is in compliance with the ordinance.

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 risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Note I - Economic Dependency

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

Note J – Retirement Plan

The City is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions

For the year ended June 30, 2013, plan members were required to contribute 5.00% of wages for non-hazardous and 8.00% of wages for hazardous job classifications. Employers hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2013, participating employers contributed 19.55% of each non-hazardous employee's wages and 37.60% of each hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investments earnings.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

| <u>Year</u> | <u>Required Contribution</u> | <u>Percent Contributed</u> |
|-------------|----------------------------------|--------------------------------|
| 2013 | \$141,724 | 100% |
| 2012 | \$185,098 | 100% |
| 2011 | \$151,408 | 100% |

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. The rate is adjusted annually. The rate at June 30, 2013 was \$ 36,000 year.

Note L – Prior Period Adjustments

Government-wide net position for Governmental Activities was decreased by \$737,999 as a result of adjustments to capital assets, non-current receivables, accounts payable and other long term assets. The General Fund fund balance was increased by \$172,183 as a result of adjustments to current liabilities and internal balances. The Municipal Aid fund balance was increased by \$85,676 as a result of adjustments to internal balances. Business-type net position was increased by \$336,085 as a result of adjustments to accounts receivable, deferred revenue and other noncurrent assets.

Governmental Activities:

- Capital assets net of accumulated depreciation for Governmental Activities were decreased by \$634,678. Depreciation expense was incorrectly understated in prior years due to a misapplication of government accounting standards.
- Accounts receivable for Governmental Activities were decreased by \$90,000. This amount was incorrectly recorded as a noncurrent asset as of June 30, 2012. This balance related a grant receivable that was deemed to be uncollectable.
- Accounts payable for the General Fund decreased by \$5,049. This amount was incorrectly recorded as a current liability in prior periods and related to unreconciled differences between the Accounting Payable Aging Schedule and the financial statements.
- Other long term assets for Governmental Activities decreased by \$18,370. This amount was related to compensated absences and was incorrectly recorded in prior periods.
- Other current liabilities for the General Fund decreased by \$51,718. This amount represented the current portion of long-term debt. Under the modified accrual basis of accounting, bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements.
- Interfund activity should be recorded as “Due from other funds” or “Due to other funds” rather than recorded through the statements of revenues, expenditures and changes in fund balance. Due from other funds, net was increased by \$115,416 and \$85,676 for the general Fund and Municipal Aid Fund, respectively.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2013

Business-type Activities:

- Accounts receivable for Business-type Activities increased by \$211,529. The amount represented utility billings for services provided in fiscal year 2012 but not billed until fiscal year 2013.
- Deferred revenue for Business-type Activities was decreased by \$56,519 and related to funds received from FEMA from prior years. These amount were incorrectly recorded as a currently liability in prior periods. These receipts from FEMA qualify as non-exchange transactions in which the eligibility requirements for revenue recognition have been met. Accordingly, these receipts should have been recognized as revenue in prior periods and any unused balances recorded to restricted fund balance.
- Noncurrent assets for Business-type Activities were decreased by \$10,779. This amount was incorrectly recorded as a noncurrent asset at June 30, 2012 and related to compensated absences.
- During the year ended June 30, 2005 Kentucky Infrastructure Authority (KIA) restructured its loan with the City of Greensburg, Kentucky. KIA applied the amount it held as *Debt Service Reserve*, \$162,809, less premium of \$11,272, to the principal of the loan as of July 29, 2004. This restructuring reduced the principal due July 29, 2004 of \$551,537 to a principal of \$400,000.

The City, originally elected to recognize the restructuring as a gain on the loan restructuring and amortize the gain over the remaining life of the restructured loan, at \$8,757 annually for ten and one-half (10 ½) years. Rather than amortize the gain over the life of the loan, the gain should have been recognized in the year the loan was defeased; accordingly the gain on loan restructuring of \$78,816 was decreased to zero.

Note M- Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through June 4, 2014, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the City.

- On July 30, 2013, the City entered into a lease agreement with the Kentucky Bond Corporation for \$1,390,000 to finance a portion of the cost of certain energy improvements to various public buildings.
- On Feb. 6, 2014, the City entered into a loan agreement with KIA for \$83,813. The Infrastructure Revolving Loan is for 10 years at .75% per annum and will be used to recoat and repair the City's 200,000 gallon elevated water tank on Hospital Hill. As of May 16, 2014, no draws have been made on this note.
- On March 10, 2014, the City Adopted Revised Bond Ordinance 2014-0305O (RF) to finance a portion of the cost of the new water plant project providing for the issuance and sale of \$3,071,000 water and sewer revenue bonds, series 2014, consisting of \$2,616,000 Series A bonds and \$455,000 Series B bonds. The City accepted the bid of Rural Development of the Dept. of Agriculture to purchase water and sewer Revenue Bonds, Series 2014 at a price of par (\$3,071,000) for \$2,616,000 Series A bonds bearing an interest rate of 2.00% per annum and \$455,000 Series B bonds bearing an interest rate of 3.50% per annum over a forty (40) year term. In addition, the City adopted an amendment to update the Utility Rate Ordinance Number 2009-0706OA (2014) providing for a five percent (5%) increase to the Wastewater Rate.
- On March 21, 2014, they City borrowed \$2,971,000 from a local bank for 24 months at 2.6% per annum as interim financing for the new water plant project. The funds were also used to payoff the \$120,200 note payable from bank with maturity date of May 1, 2014. As of May 16, 2014, \$524,571 has been drawn down on this note.

City of Greensburg, Kentucky
Budgetary Comparison Schedule, General Government Fund
For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Franchise Fees | \$107,000 | 107,000 | 124,817 | \$17,817 |
| Insurance Premium Tax | 250,000 | 250,000 | 232,128 | (17,872) |
| Occupational Tax | 469,000 | 469,000 | 443,411 | (25,589) |
| Property Tax | 207,000 | 207,000 | 214,940 | 7,940 |
| Rent Income | 59,000 | 59,000 | 64,667 | 5,667 |
| Other Revenues | 300,035 | 300,035 | 162,560 | (137,475) |
| Intergovernmental Revenues | 64,450 | 64,450 | 72,198 | 7,748 |
| Grant Revenues | 1,313,000 | 1,313,000 | 914,975 | (398,025) |
| Interest Income | 5,000 | 5,000 | 6,894 | 1,894 |
| Transfers In/Out | 63,500 | 63,500 | 63,500 | - |
| Loan Proceeds | - | - | 219,752 | 219,752 |
| Notes Receivable Proceeds | - | - | 24,271 | 24,271 |
| Total Revenues | <u>\$2,837,985</u> | <u>\$2,837,985</u> | <u>\$2,544,214</u> | <u>(293,771)</u> |
| Appropriations | | | | |
| General Government | 417,262 | \$417,262 | \$799,336 | (\$382,074) |
| Public Safety, Police | 436,027 | 436,027 | 511,465 | (75,438) |
| Public Safety, Fire | 38,471 | 38,471 | 93,156 | (54,685) |
| City Maintenance | 302,369 | 302,369 | 313,527 | (11,158) |
| Heartland Regional Micro Park | 64,867 | 64,867 | 54,031 | 10,836 |
| Paddle Trail | 19,015 | 19,015 | 16,084 | 2,931 |
| Grant Expenses | <u>1,513,000</u> | <u>1,513,000</u> | <u>\$1,046,855</u> | <u>\$466,145</u> |
| Total Appropriations | <u>\$2,791,011</u> | <u>\$2,791,011</u> | <u>\$2,834,454</u> | <u>(\$43,443)</u> |
| Excess of Resources Over(Under) | | | | |
| Appropriations | 46,974 | 46,974 | (290,240) | (337,214) |
| Fund Balance July 1, 2012 | <u>484,313</u> | <u>484,313</u> | <u>600,662</u> | <u>116,349</u> |
| Fund Balance June 30, 2013 | <u>\$531,287</u> | <u>\$531,287</u> | <u>\$310,422</u> | <u>(\$220,865)</u> |

See notes to required supplementary
Information.

City of Greensburg, Kentucky
Budgetary Comparison Schedule, Municipal Aid Fund
For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|---------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> <u>Positive (Negative)</u> |
| Revenues | | | | |
| Intergovernmental Revenue | \$65,500 | \$65,500 | \$98,764 | \$33,264 |
| Interest Income | - | - | 71 | 71 |
| Total Revenues | \$65,500 | \$65,500 | \$98,835 | \$33,335 |
| Appropriations | | | | |
| Street Repairs | \$- | \$- | \$- | \$- |
| Transfers Out | <u>63,500</u> | <u>63,500</u> | <u>63,500</u> | - |
| Total Appropriations | <u>\$63,500</u> | <u>\$63,500</u> | <u>\$63,500</u> | <u>\$-</u> |
| Excess of Resources Over (Under) | | | | |
| Appropriations | 2,000 | 2,000 | 35,335 | 33,335 |
| Fund Balance July 1, 2012 | <u>37,690</u> | <u>37,690</u> | <u>64,240</u> | <u>26,550</u> |
| Fund Balance June 30, 2013 | <u>\$39,690</u> | <u>\$39,690</u> | <u>\$99,505</u> | <u>\$59,885</u> |

See notes to required
supplementary
information

City of Greensburg, Kentucky
Budgetary Comparison Schedule, Water and Sewer Fund
For the Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Charges for Service, Sewer | \$378,764 | \$378,764 | \$364,516 | (\$14,248) |
| Charges for Service, Water | 837,705 | 837,705 | 839,989 | 2,284 |
| Other Revenues | 74,000 | 74,000 | 40,292 | (33,708) |
| Health Insurance Reimbursement | 5,441 | 5,441 | 3,926 | (1,515) |
| Interest Income | 4,000 | 4,000 | 3,383 | (617) |
| Grant Revenues | 2,008,000 | 2,008,000 | 0 | (2,008,000) |
| Loan Proceeds | 0 | 0 | 57,000 | 57,000 |
| Total Revenues | <u>\$3,307,910</u> | <u>\$3,307,910</u> | <u>\$1,309,106</u> | <u>(\$1,998,804)</u> |
| Appropriations | | | | |
| Capital Purchases | \$23,000 | \$23,000 | \$26,366 | (\$3,366) |
| Grant Expenses | 500,000 | 500,000 | 255,400 | 244,600 |
| Debt Retirement, Water | 47,516 | 47,516 | 30,657 | 16,859 |
| Debt Retirement, Sewer | 150,769 | 150,769 | 165,265 | (14,496) |
| Water Operations | 680,783 | 680,783 | 631,769 | 49,014 |
| Sewer Operations | 414,663 | 414,663 | 494,183 | (79,520) |
| Total Appropriations | <u>\$1,816,731</u> | <u>\$1,816,731</u> | <u>\$1,603,640</u> | <u>\$213,091</u> |
| Excess of Resources Over(Under) | | | | |
| Appropriations | 1,491,179 | 1,491,179 | (294,534) | (1,785,713) |
| Fund Balance July 1, 2012 | <u>198,133</u> | <u>198,133</u> | <u>1,449,435</u> | <u>1,251,302</u> |
| Fund Balance June 30, 2013 | <u>\$1,689,312</u> | <u>\$1,689,312</u> | <u>\$1,154,901</u> | <u>(\$534,411)</u> |

See notes to required supplementary information.

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2013
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- Governmental Funds | General Fund | Municipal Aid Activity | Totals |
|---|---------------------|-------------------------------|---------------------------|
| Change in Net Position, Budget Basis | (\$290,240) | \$35,335 | (\$254,905) |
| Reconciling amounts: | | | |
| Increase in long-term debt | | | (219,752) |
| Decrease in long-term debt | | | 46,619 |
| Capital purchases | | | 108,233 |
| Capitalized grant expenses | | | 1,040,978 |
| Decrease in Interfund borrowings (net) | | | 151,675 |
| Decrease in Note Receivables | | | (24,271) |
| Increase in Compensated Absences | | | 13,687 |
| Rounding | | | <u>3</u> |
| Change in Net Position, GAAP Basis | | | <u><u>\$862,164</u></u> |
| | | | |
| Net Changes In Fund Balances- Enterprise Funds | | | |
| Change in Net Assets, Budget Basis Reconciling amounts: | | | (\$294,534) |
| Increase in long-term debt | | | (57,000) |
| Decrease in long-term debt- Water | | | 35,657 |
| Decrease in long-term debt- Sewer | | | 170,265 |
| Capital purchases- Water | | | 13,252 |
| Capital purchases- Sewer | | | 13,114 |
| Capitalized grant expenses | | | 255,400 |
| Depreciation and amortization, Water Department | | | (185,898) |
| Change in compensated absences | | | (16,017) |
| Depreciation, Sewer Department | | | <u>(195,650)</u> |
| Change in Net Position, GAAP Basis | | | <u><u>(\$261,412)</u></u> |

**Information about Infrastructure Assets Reported
Using the Modified Approach**

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City.
- Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

A governmental entity that uses the modified approach has to document that it has performed a completed condition assessment of the assets at least once every three years. The City completed a condition assessment as of June 30, 2013 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2013 and for the year then ended.

Roads

The City applies the modified approach only to the eleven (11) street-miles of roads that are owned by the City and maintained by the City’s Streets Department. The goal of the City in conjunction with adopting the modified approach is to develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City’s investment in its road network and enhances public transportation and safety.

Measurement Scale

The condition of road pavement is measured using the City Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories as follows:

| Category | PCI Rating Range | Description |
|-----------------|-------------------------|--|
| Very Good | 94 – 100 | New or nearly new pavement which provides a very smooth ride and is mainly free of distress. (No maintenance work needed.) |
| Good | 76 - 93 | Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress. (Minor maintenance may be needed.) |

| | | |
|-----------|---------|---|
| 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 2013. No City streets were assessed as “poor” or “very poor”. Prior to 2013, the City did not use an asset management system. Therefore, no meaningful comparison of the condition of the City’s roads prior to 2013 is available.

| Category | 2013 |
|-----------------|-------------|
| 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> |
|-----------------------------------|---------------------|-----------------|
| 2009 | \$46,220 | \$69,439 |
| 2010 | \$28,651 | \$39,040 |
| 2011 | \$49,064 | \$40,050 |
| 2012 | \$26,927 | \$50,000 |
| 2013 | \$23,136 | \$55,000 |

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2013

| Expenditures | General Activities | Municipal Street Activities | Totals |
|--------------------------------------|-------------------------------|--|---------------|
| Advertising Expenses | \$ 9,365 | \$ - | \$ 9,365 |
| Automated Emergency Notification | 3,000 | - | 3,000 |
| Building Inspection Fees and Permits | 1,056 | - | 1,056 |
| CEP Testing | 380 | - | 380 |
| Code Enforcement Ordinances | 1,603 | - | 1,603 |
| Community Development Expenses | 29,847 | - | 29,847 |
| Community Programs | 12,429 | - | 12,429 |
| Computer Software | 5,154 | - | 5,154 |
| Contractual Services | 12,850 | - | 12,850 |
| Credit Card Fees | 1,100 | - | 1,100 |
| Debt Service Expense | 20,838 | - | 20,838 |
| Dues and Subscriptions | 1,168 | - | 1,168 |
| EM Director's Expense | 229 | - | 229 |
| Fees | 8,364 | - | 8,364 |
| Firemen's Fees | 9,440 | - | 9,440 |
| Grant Expenses | 5,877 | - | 5,877 |
| Insurance, General | 68,740 | - | 68,740 |
| Intergovernmental Agreement Expense | 35,000 | - | 35,000 |
| Leadership Green | 11 | - | 11 |
| Mayor and Council Expenses | 4,158 | - | 4,158 |
| Minor Equipment | 10,739 | - | 10,739 |
| Miscellaneous Expenses | 4,034 | - | 4,034 |
| Ordinance Codification | 6,505 | - | 6,505 |
| Paver-Bench-Light Pole Expenses | 6,035 | - | 6,035 |
| Payroll Taxes | 29,862 | - | 29,862 |
| Personnel Benefits Expenses | 194,989 | - | 194,989 |
| Planning and Zoning | 3,000 | - | 3,000 |
| Postage Expense | 1,273 | - | 1,273 |
| Professional Fees | 24,657 | - | 24,657 |
| Repairs and Maintenance Expenses | 85,344 | - | 85,344 |
| Personnel Wages and Salaries | 401,426 | - | 401,426 |
| Shelter House Expenses | 2,667 | - | 2,667 |
| Street Maintenance | 23,136 | - | 23,136 |
| Supplies Purchased | 26,490 | - | 26,490 |
| Transfers | - | 94,000 | 94,000 |

City of Greensburg, Kentucky
Schedule of General Government Activities - Continued
For the Year Ended June 30, 2013

| | General Government Activities | Municipal Street Activities | Totals |
|---|--|--|---------------------|
| Expenditures | | | |
| Travel and Training Expenses | 6,889 | - | 6,889 |
| Unemployment Taxes | 4,416 | - | 4,416 |
| Uniform Expenses | 3,297 | - | 3,297 |
| Utility Expenses | 208,477 | - | 208,477 |
| Website Expenses | 7,067 | - | 7,067 |
| Depreciation | 176,332 | - | 176,332 |
| Total Expenditures | <u>\$ 1,457,244</u> | <u>\$ 94,000</u> | <u>\$ 1,551,244</u> |
| Revenues | | | |
| Code Enforcement Revenue | \$ 270 | \$ - | \$ 270 |
| Economic Development Support | 10,000 | - | 10,000 |
| Franchise Fees | 124,817 | - | 124,817 |
| Grant Revenue | 914,973 | - | 914,973 |
| HB 380 HI Revenue | 14,779 | - | 14,779 |
| Insurance Premium Tax | 232,128 | - | 232,128 |
| Insurance Proceeds | 6,974 | - | 6,974 |
| Interest Income | 6,894 | 72 | 6,966 |
| Intergovernmental Revenue | 3,133 | 98,764 | 101,897 |
| KLEFPF Grant | 23,317 | - | 23,317 |
| Law Enforcement Revenue | 22,719 | - | 22,719 |
| Licenses and Permits | 11,529 | - | 11,529 |
| Miscellaneous Revenues | 75,413 | - | 75,413 |
| Net Profits Tax | 48,914 | - | 48,914 |
| Occupational Taxes | 394,497 | - | 394,497 |
| Paddle Trail Revenue | 12,165 | - | 12,165 |
| Pavers - Benches - Light Pole Revenue | 6,400 | - | 6,400 |
| Program Support | 19,752 | - | 19,752 |
| Property Tax Revenue | 195,345 | - | 195,345 |
| Rent Income | 64,667 | - | 64,667 |
| Shelter House Donations | 4,041 | - | 4,041 |
| State Aid - Fire Department | 8,250 | - | 8,250 |
| Transfers | 94,000 | - | 94,000 |
| Vehicle Tax Revenue | 19,595 | - | 19,595 |
| Total Revenues | <u>2,314,572</u> | <u>98,836</u> | <u>2,413,408</u> |
| Net Revenues and Grant Revenue Over Expenditures and Transfers | <u>\$ 857,328</u> | <u>\$ 4,836</u> | <u>\$ 862,164</u> |

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities
For the Year Ended June 30, 2013

| Operating Expenditures | Sewer and Water Service <u>Activities</u> |
|-------------------------------|--|
| Personnel - Wages | \$ 383,755 |
| Depreciation | 376,412 |
| Personnel Benefits- Insurance | 127,863 |
| Debt Service | 119,918 |
| Utilities | 108,864 |
| Repairs & Maintenance | 71,472 |
| Personnel Benefits-Retirement | 70,750 |
| Chemicals | 63,345 |
| Insurance | 41,683 |
| Rent | 24,000 |
| Supplies | 21,624 |
| Personnel Taxes- FICA/MC | 20,392 |
| Professional Fees | 17,107 |
| Water purchased | 16,872 |
| Testing | 12,241 |
| Training and Travel | 6,935 |
| Website Design | 6,480 |
| Computer/Software | 5,896 |
| Extinguishment Loss | 4,094 |
| Personnel Benefits | 3,292 |
| Other - Various | 2,611 |
| Uniforms Allowance | 1,650 |
| Sludge disposal | 1,640 |
| NPC Fees Expense- Water Dept | 1,569 |
| Amortization | 1,042 |
| Postage | 857 |
| Licenses | 650 |
| Advertising | 469 |
| Fees | 35 |
| | <hr/> |
| Total Operating Expenditures | <u>\$1,513,518</u> |

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities - Continued
For the Year Ended June 30, 2013

| Revenues | Sewer and Water Service <u>Activities</u> |
|---------------------------------------|--|
| Fees- Water | \$ 836,285 |
| Fees- Sewer | 364,516 |
| Other Income | 25,058 |
| Water Meter Connection Income | 13,300 |
| Health Ins Reimbursement | 3,926 |
| Fees- Water, GT PSC Repayment | 3,704 |
| Interest Income | 3,383 |
| Insurance Proceeds | <u>1,934</u> |
| Total Revenues and Grant | <u>1,252,106</u> |
| Net Expenditures Over Revenues | <u><u>\$ (261,412)</u></u> |

**Independent Auditors' 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***

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Greensburg, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Greensburg, Kentucky's basic financial statements, and have issued our report thereon dated June 4, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control to be material weaknesses.

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 entity'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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2013-1) and (2013-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the City of Greensburg, Kentucky in a separate letter dated June 4, 2014.

City of Greensburg, Kentucky Responses to Findings

City of Greensburg, Kentucky's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC

June 4, 2014

**Independent Auditors' Report on Compliance for Each Major Program
And on Internal Control Over Compliance Required by OMB Circular A-133**

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

Compliance

Report on Compliance for Each Major Federal Program

We have audited City of Greensburg, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Greensburg, Kentucky's major federal programs for the year ended June 30, 2013. City of Greensburg, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC

June 4, 2014

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Greensburg, Kentucky.
2. Two deficiencies related to internal control over financial reporting is reported in the 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*. We consider these deficiencies to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Greensburg, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal awards programs for the City of Greenburg, Kentucky expresses an unmodified opinion on all major federal programs.
6. No audit findings were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

| | <u>CFDA #</u> |
|---|---------------|
| Community Development Block Grant | 14.228 |
| Legislative Pre-Disaster Mitigation Grant | 97.017 |
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. The City of Greenburg, Kentucky did not qualify to be a low risk auditee.

City of Greenburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

B. Findings – Internal Controls Over Financial Reporting

2013-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed instances of this objective not being completely achieved were noted.

Cause:

The fixed asset depreciation schedule was not properly reconciled to the general ledger and reviewed for accuracy, discrepancies or proper application of generally accepted accounting principles.

Effect:

Auditing procedures identified several discrepancies related to the fixed asset depreciation schedules and the general ledger; and accounting records were found to be inadequate to support reported balances.

Recommendation:

A periodic reconciliation of the City's fixed asset depreciation schedules to the general ledger helps to identify errors in the financial statements, caused by either fraud or unintentional error. The duty of the reconciliation should be given to a party not otherwise involved with the maintaining of the fixed assets or general ledger to ensure proper segregation of duties. The reconciliation should be reviewed on a periodic basis by a party independent of the process.

In addition, we recommend that management consider performing an annual physical count of the City's fixed assets and reconcile to the results to the depreciation schedule. We also recommend management consider maintaining the City's fixed asset depreciation schedule in a software specifically designed to maintain fixed asset information. Currently, the depreciation schedule is maintained in Microsoft Excel which can result in unintentional calculation errors. These improvements would strengthen internal controls over financial reporting.

Views of responsible officials and planned corrective actions:

Management understands the need to improve the financial reporting system and more closely adhere to governmental accounting practices.

City of Greenburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

2013-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

Numerous material audit adjustments were necessary to prepare the financial statements in conformity with generally accepted accounting principles.

Effect:

The financial statements and related note disclosures prepared by the City were not presented in accordance with generally accepted accounting principles.

Recommendation:

The City should strive to strengthen the financial reporting system and to enable it to prepare financial statements in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

Management agrees with the auditor's recommendations and will implement the necessary steps to improve controls.

C. Findings – Major Federal Award and Questioned Costs

No matters were reported

D. Schedule of Prior Year Audit Findings

No matters were reported

**City of Greensburg, Kentucky
Schedule of Expenditures of Federal Awards
For the Year Ended June 2013**

| Federal Grantor/ Program Title | Federal CFDA Number | Pass-Through Contract Number | Grant Contract Period | Amount Awarded | Expenditures |
|--|---------------------------|------------------------------------|---|-------------------|-------------------|
| <u>Department of Housing and Urban Development</u> | | | | | |
| Community Development Block Grant (Pass through the Kentucky Dept. of Local Gov.) | 14.228 | | 9/26/12-12/31/14 | 500,000 | \$ 475,000 |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| Legislative Pre-Disaster Mitigation Grant (Passed through the State of Kentucky) | 97.017 | KY20090414-0706 | 03/29/09 - 3/31/12 (Extended through 06/30/13) | 495,000 | \$ 369,104 |
| Homeland Security Grant (Pass through the State of Kentucky) | 97.124 | Project #08-070 | 7/1/12-6/30/13 | 18,200 | \$ 18,200 |
| <u>U.S. Department of Justice</u> | | | | | |
| Community Oriented Policing Services (COPS) | 16.710 | KY04401 | 9/2/11-8/31/14 | 144,054 | \$ 26,713 |
| Total | | | | | <u>\$ 889,017</u> |

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Greensburg, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of **OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.