



City of Greensburg, Kentucky

Audit of the Financial Statements

As of June 30, 2014

And For the Year Then Ended

With Report of Independent Auditor

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February 5, 2015

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, 2014, 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	



"Bridging the Past and the Future"
www.GreensburgOnline.com

**Financial Audit
As of the Year Ended
June 30, 2014**

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

The future for our community has many wonderful opportunities opening up to it. However, there are challenges that will have to be confronted as we move forward. From time to time there will be hard choices that will have to be made, but I am happy to report we will be facing those challenges on strong financial footing. I hope to highlight some of those challenges in this MD&A; as well as, give a summary report of the financial health of Greensburg City Government.

Over the past year we have continued to see signs that our Community Development strategy is delivering positive results for the community. We are seeing not only revived 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. We have seen continued new development along Industrial Park Road with the construction of the new Green River Medical Clinic; as well as, the development of new office space to house the local offices of South Central Rural Telephone. SCRTC is now well into their build out of the new fiber optic based telephone, broadband and cable delivery system in the community. The City's redevelopment efforts have been a key factor in these positive developments. I continue to believe that 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 encouraged by our successes. We should especially be encouraged by the heightened interest from outside industry in our community as a potential new home. The local labor market has been positive over the last year, as the unemployment rate in Green County declined from 7.3% in November 2013 to 5.5% in November of 2014. Another positive sign recently reported, shows wage growth in Green County between 2004 and 2013 to be the second highest among our surrounding counties – based on the latest numbers available. (Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, annual figures 2004 and 2013)

However, as I cautioned in last year's report, the improved economy nationwide, coupled with the increased worker training and mobility due to the implementation of the Affordable Care Act (Obama Care); the possibility of increased out-migration to better paying opportunities, will be a real concern for Greensburg and Green County moving forward. University of Kentucky Sociologist Dr. Julie Zimmerman, sponsored by the Green County Extension Service, recently highlighted these issues in a presentation in which she shared data projecting population declines of 1.3% by 2020 and 4.7% by 2030. As pointed out in the 2013 Management Discussion and Analysis, these long term pressures, if not dealt with, could negatively impact all of the city's major income sources – property taxes, insurance premium receipts, business and occupational revenues in the long-term. The keys to addressing this threat will lie in our efforts at improving post-secondary educational access in our community - *both through direct access and through higher quality broadband availability* - active marketing of the community and region to potential business and industry and continued investment into the quality of life needs of our residents.

As of this writing, after six long years the national economy continues its slow recovery from the "Great Recession". While the private sector continues to recover, the financial effects and lack of political will at the Federal and State levels have continued to hamper local governments' ability to provide needed services, all while called upon to maintain an ever more costly organizational infrastructure and increasing responsibilities to its citizens. Greensburg has fared much better than many other communities when it comes to the stability of our revenue streams; however we are not immune to the increased operational costs being passed along by vendors; as well as the federal and state governments in an effort to clean up their books.

As I have continued to warn in the past few 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. In the past twelve years we have seen an over all cut in full time employment within the City and Utility Departments of nearly 25%, as the City has moved to rely ever greater on the use of part-time employees to make up the difference. Our ability to absorb the increase in fixed costs of retirement, health care, insurance, and utility costs just to name a few by restructuring our labor force has gone as far as it can. The cushion provided by the implementation of the Occupational & Business License Tax fourteen years ago 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.

2014 Fiscal Year Overview

As always, when reviewing the financial condition of the City, one must understand that the City's financials are separated into two distinct 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 Greensburg 20/20 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 2014 fiscal year saw an increase of nearly \$36,000 versus the 2013 audit year, which saw a decline of \$61,453 or 5.49%.

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. Over all when excluding fluctuations in grant revenue, the City of Greensburg recognized a \$43,523 or 3.7% increase in total revenue. This was primarily due to a \$40,000 increase in rental income.

As for Operations & Maintenance, after adjusting for depreciation Water and Sewer saw a gain of just over \$25,000 – the third year in row this has been a positive number and just the third time in 15+ years. However, it should be noted that 2014 was another year when just basic maintenance expenses exceeded \$80,000, the majority of which would be avoided with the construction of a new Water Treatment facility, which has now begun. This facility will replace the current plant, which has reached its 50th anniversary of service to Greensburg and Green County and is expected to run much more efficiently with lower energy, labor and chemical cost.

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

The City continues to maintain a solid base of working capital. The overall fund balance for CEF has now grown to over \$939,000. This is an increase of \$76,985 over last year's closing fund balance. The overall Net Asset Value of the City's CEF or General Government saw one of its most significant leaps forward since completion of the downtown redevelopment project. The Net Asset Value of CEF or General Government fund experienced a healthy increase of \$235,160. This puts the net asset value of the city's general government fund over \$5 million.

Water and Wastewater Department (O&M)

Overall, Operation and Maintenance appears to have had a decline in cash on hand of \$16,900 in 2014. This is primarily due to the fact that the City prepaid numerous expenses related to the construction of the new Water Treatment Plant. The City will subsequently be reimbursed from grant and loan proceeds associated with the new water treatment plant construction project.

Again, in hindsight, this proves the rate increase implemented in 2010, along with the automatic annual cost of living 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 2014 fiscal year. As stated on many occasions, keeping utility rates at an adequate level to support operations, 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, after accounting for depreciation, the system had a surplus in excess of \$25,000. However, including the depreciation charges of \$375,587, results in a net decline of \$353,710 in the Net Asset Value of the Greensburg Utility System.

Conclusion to Financial Highlights

The City of Greensburg turned in a solid financial performance for the fiscal year of 2014. Over the past twelve years, the City of Greensburg has seen its total net asset value increase by over 270% - from just fewer than \$3 million in 2003 to over \$7.3 million today.

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

Non-Financial Highlight

Our continued focus on a holistic community and economic development strategy continues 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. The recent decision by South Central Rural Telephone to expand services throughout the City should also prove to be very beneficial to residents and businesses alike. This will continue to help our efforts towards building a "Livable Community" that can be marketed to new business and industry, tourists, and new residents.

Future Events

The City currently has several projects in different stages of development or construction. The City's new 2.0 million gallons per day Water Treatment facility is now under construction and scheduled to be completed in late 2015. This project will insure the availability of quality and affordable drinking water for Greensburg and Green County for the next fifty years, a situation that will prove exceedingly valuable in the future given the shortages of potable water being seen in many parts of the country.

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 and a fifth cabin. The City is also in the preliminary stages of outlining phase one of a community "Greenway Belt" which will provide an opportunity to walk, run or bike our community for exercise and to provide safer pedestrian access through-out the community and downtown. The City has now partnered with the Greensburg Housing Authority to include the development of 5 to 6 neighborhood pocket parks in various parts of town in an effort to enhance the project even more.

The City has approved the sale of the Heartland Regional Micro-Enterprise Park to Stone Fort, LLC out of Chattanooga, TN for \$500,000. This project will not only bring a one time influx of cash to the city that will allow the city to make significant investments in our own infrastructure, but also create an "On Bill" loan program to help individuals make improvements to the City's aging local housing stock as well. In addition, Stone Fort, LLC has plans to make significant repairs and upgrades to the "Micro-Park" facility and to add as many as 40 new jobs.

The City of Greensburg is continuing to pursue 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; as well as, allow the City of Greensburg to network and share resources among all City facilities and in turn save the City thousands of dollars in both telephone and broadband charges.

Finally, the City is in the process of implementing the first of two Tax Increment Financing (TIF) Districts to provide incentives for new business development; as well as, for redevelopment of declining and blighted property. We have already seen benefits of the new TIF District with in the Green River Regional Business Park and hope to see more very soon. The same strategy has been used across the state and nation to create hundreds of new businesses and thousands of new jobs.

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.

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 crossroad, the City will also have to contend with the growing demand for increased services by our residents and by the business community, not to mention the ever-increasing unfunded mandates passed down by both the Federal and State governments. However, we must remember other communities are working hard 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 bright, provided we continue to plan and manage our assets in a conservative manner and focus on our opportunities and our strengths. But we must continue to be willing to invest in ourselves. Therefore, it is more important than ever that our community continue to come together and work with a common vision and purpose. We can be either our own worst enemy or our own best friend; it is up to each of us. As the plaque that hangs in the City Council Chamber reads, "*The greatest risk is not taking one.*"

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, 2014

Condensed Statement of Net Position	General Government Activities	Business-Type Activities	Total 2014	Total 2013
Assets				
Current Assets	1,140,462	262,282	1,402,744	1,770,227
Capital Assets, Net	6,186,202	5,323,398	11,509,600	9,394,029
Other Non-Current Assets	<u>55,817</u>	<u>205,379</u>	<u>261,196</u>	<u>128,555</u>
Total Assets	<u>\$7,382,481</u>	<u>\$5,791,059</u>	<u>\$13,173,540</u>	<u>\$11,292,811</u>
Liabilities				
Current Liabilities	384,418	668,445	1,052,863	626,951
Long Term Debt	1,790,200	2,988,496	4,778,696	3,049,527
Other Long Term Liabilities	<u>9,229</u>	<u>6,604</u>	<u>15,833</u>	<u>31,480</u>
Total Liabilities	<u>\$2,183,847</u>	<u>\$3,663,545</u>	<u>\$5,847,392</u>	<u>\$3,707,958</u>
Net Position				
Invested in Capital Assets, Net of Debt	4,187,813	1,942,772	6,130,585	6,100,157
Restricted	.	77,870	77,870	226,274
Unrestricted	<u>1,010,821</u>	<u>106,872</u>	<u>1,117,693</u>	<u>1,258,422</u>
Total Net Position	<u>\$5,198,634</u>	<u>\$2,127,514</u>	<u>\$7,326,148</u>	<u>\$7,584,853</u>

**City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2014**

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Current Expense Fund					
Revenues					
Taxes	\$908,089	\$890,479	\$939,779	\$864,260	\$896,735
Intergovernmental Revenue	40,350	72,198	\$74,953	\$54,553	\$64,461
Franchise Fees	142,486	124,817	\$133,443	\$153,218	\$137,471
Grants	373,672	914,975	\$73,875	\$103,028	\$86,461
Rents	104,012	64,667	\$84,157	\$103,591	\$94,384
Interest Income	3,311	6,894	\$6,828	\$4,139	\$3,210
Other Income	104,965	100,635	\$66,660	\$81,676	\$125,796
Totals Revenues	\$1,676,885	\$2,174,665	\$1,379,695	\$1,364,465	\$1,408,518
Current Expense Fund					
Expenditures					
General Government	\$540,870	\$501,144	\$570,470	\$482,532	\$549,452
Public Safety, Police	421,194	436,027	\$479,287	\$483,198	\$426,597
Public Safety, Fire	28,395	38,471	\$99,910	\$27,768	\$25,733
City Maintenance	324,643	302,369	\$270,004	\$257,725	\$211,859
Grant Expenditures	3,402	1,212,515	\$79,206	\$102,244	\$99,832
Totals Expenditures	\$1,318,504	\$2,490,526	\$1,498,877	\$1,353,467	\$1,313,473

**City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2014**

Fiscal Year Ended June 30, Current Expense Fund Revenues	2014	2013	2012	2011	2010
Taxes	54.15%	40.95%	68.11%	63.34%	63.67%
Licenses and Permits	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental Revenue	2.41%	3.32%	5.43%	4.00%	4.58%
Franchise Fees	8.50%	5.74%	9.67%	11.23%	9.76%
Grants	22.28%	42.07%	5.35%	7.55%	6.14%
Rents	6.20%	2.97%	6.10%	7.59%	6.70%
Interest Income	0.20%	0.32%	0.49%	0.30%	0.23%
Other Income	6.26%	4.63%	4.83%	5.99%	8.93%
Totals Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Current Expense Fund Expenditures					
General Government	41.02%	20.12%	38.06%	35.65%	41.83%
Public Safety, Police	31.94%	17.51%	31.98%	35.70%	32.48%
Public Safety, Fire	2.15%	1.54%	6.67%	2.05%	1.96%
City Maintenance	24.62%	12.14%	18.01%	19.04%	16.13%
Capital Expenditures	0.26%	48.69%	5.28%	7.55%	7.60%
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, 2014**

Fiscal Years Ended June 30, Business-type Fund Revenues	2014	2013	2012	2011	2010
Water Service	\$814,631	\$853,289	\$799,936	\$792,530	\$672,156
Sewer Service	353,699	364,516	349,165	311,403	312,244
Interest Income	2,188	3,833	4,457	5,211	10,192
Other Service	44,130	39,225	63,873	75,211	61,767
Totals Revenues	<u>\$1,214,648</u>	<u>\$1,260,863</u>	<u>\$1,217,431</u>	<u>\$1,184,355</u>	<u>\$1,056,359</u>
As a percentage:					
Water Service	67.07%	67.67%	65.71%	66.92%	63.63%
Sewer Service	29.12%	28.91%	28.68%	26.29%	29.56%
Interest Income	0.18%	0.30%	0.37%	0.44%	0.96%
Other Service	3.63%	3.11%	5.25%	6.35%	5.85%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Business-type Fund Expenditures					
Personnel Cost	\$560,780	\$606,052	\$568,192	\$558,783	\$536,595
Occupancy Expenses	147,028	132,864	\$114,006	\$110,153	\$88,543
Chemical and Testing Expenses	82,781	75,586	\$88,107	\$83,209	\$90,411
Maintenance and Repairs Expenses	80,627	85,353	\$148,172	\$141,337	\$54,177
Interest Expense	83,007	119,917	\$115,779	\$107,172	\$96,898
Other Expenses	234,454	112,198	\$171,423	\$192,620	\$198,934
Depreciation and Amortization	379,681	381,548	\$376,869	\$326,455	\$311,691
Totals Expenditures	<u>\$1,568,358</u>	<u>\$1,513,518</u>	<u>\$1,582,548</u>	<u>\$1,519,729</u>	<u>\$1,377,249</u>
As a percentage:					
Personnel Cost	35.76%	40.04%	35.90%	36.77%	38.96%
Occupancy Expenses	9.37%	8.78%	7.20%	7.25%	6.43%
Chemical and Testing Expenses	5.28%	4.99%	5.57%	5.48%	6.56%
Maintenance and Repairs Expenses	5.14%	5.64%	9.36%	9.30%	3.93%
Interest Expense	5.29%	7.92%	7.32%	7.05%	7.04%
Other Expenses	14.95%	7.41%	10.83%	12.67%	14.44%
Depreciation and Amortization	23.82%	23.82%	23.82%	21.48%	22.64%
Total	<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, 2014

Capital Assets at Year End	General Government Activities	Business-Type Activities	Total 2014	Total 2013
Land	\$529,034	\$145,450	\$674,484	\$674,484
Buildings	3,604,348	77,731	3,682,079	3,306,554
Equipment	1,611,165	435,980	2,047,145	669,459
Furniture	25,355	-	25,355	25,355
Software	27,619	-	27,619	27,619
Vehicles	397,539	124,526	522,065	497,161
Streetscape	1,591,028	-	1,591,028	1,591,028
Connector Road	161,150	-	161,150	161,150
Sewer System	-	5,644,371	5,644,371	5,644,371
Water System	-	5,984,625	5,984,625	5,034,700
	<u>\$7,947,238</u>	<u>\$12,412,683</u>	<u>\$20,359,921</u>	<u>\$17,631,881</u>
Total Capital Assets				
Debt Outstanding at Year End				
Bonds Payable	-	\$2,110,365	\$2,110,365	\$2,073,435
Notes Payable	1,998,389	1,270,261	3,268,650	1,211,189
	<u>\$1,998,389</u>	<u>\$3,380,626</u>	<u>\$5,379,015</u>	<u>\$3,284,624</u>
Total Debt Outstanding				
Debt as a % of Capital Assets	<u>25.15%</u>	<u>27.24%</u>	<u>26.42%</u>	<u>18.63%</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, 2014, 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, 2014, 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 February 5, 2015, 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
February 5, 2015

City of Greensburg, Kentucky
Statement of Net Position
As of June 30, 2014

	Governmental	Business-	
Assets	Activities	Type	Totals
	Activities	Activities	
Cash and Cash Equivalents	\$ 196,168	\$ 142,946	\$ 339,114
Restricted Cash	54,876	78,056	132,932
Certificates of Deposit	145,000	255,892	400,892
Receivables	299,987	180,916	480,903
Prepaid Expenses	12,218	12,414	24,632
Notes Receivable, Interfund	24,271	-	24,271
Long term Investments	51,812	205,379	257,191
Internal Balances, net	407,942	(407,942)	-
Other Long Term Assets	4,005	-	4,005
Capital Assets	-	-	-
General Government	7,947,238	-	7,947,238
Water and Sewer System	-	12,412,683	12,412,683
Accumulated Depreciation	(1,761,036)	(7,089,285)	(8,850,321)
Total Assets	\$ 7,382,481	\$ 5,791,059	\$ 13,173,540
Liabilities			
Accounts Payable	\$ 105,450	\$ 199,662	\$ 305,112
Accrued Expenses	70,779	2,372	73,151
Customer Deposits	-	50,010	50,010
Bonds and Notes Payable	-	-	-
Due Within One Year	208,189	392,130	600,319
Due in More Than One Year	1,790,200	2,988,496	4,778,696
Notes Payable, Interfund	-	-	-
Due Within One Year	-	24,271	24,271
Due in More Than One Year	-	-	-
Other Long Term Liabilities	9,229	6,604	15,833
Total Liabilities	\$ 2,183,847	\$ 3,663,545	\$ 5,847,392
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 4,187,813	\$1,942,772	\$ 6,130,585
Restricted	106,688	78,056	184,744
Unrestricted	904,133	106,686	1,010,819
Total Net Position	\$ 5,198,634	\$ 2,127,514	\$ 7,326,148

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Primary Governmental Activities</u>	<u>Government Business-type Activities</u>	<u>Totals</u>
Governmental Activities							
General Government	\$ (1,552,497)	\$ 123,934	\$ 25,948	\$ 310,684	\$ (1,091,931)		\$ (1,091,931)
Municipal Street Activity	\$ (27,175)	-	\$ 58,310	-	31,135		\$ 31,135
Total Governmental Activities	<u>(1,579,672)</u>	<u>123,934</u>	<u>84,258</u>	<u>310,684</u>	<u>(1,060,796)</u>		<u>(1,060,796)</u>
Business-type Activities							
Water and Sewer Services	\$ (1,490,278)	1,181,930	-	-	-	(308,348)	(308,348)
General Revenues							
Property Taxes					\$ 208,902	-	\$ 208,902
Occupational/Net Profits Taxes					429,400	-	429,400
Fees, Licenses and Permits					430,600	-	430,600
Intergovernmental Revenue					14,402	-	14,402
Grant Revenue					62,988	-	62,988
Other Income					68,211	30,526	98,737
Unrestricted Interest Income					3,311	-	3,311
Restricted Interest Income					66	2,188	2,254
Total General Revenues					<u>1,217,880</u>	<u>32,714</u>	<u>1,250,594</u>
Transfers					<u>78,076</u>	<u>(78,076)</u>	<u>-</u>
					<u>1,295,956</u>	<u>(45,362)</u>	<u>1,250,594</u>
Net Change, Governmental and Business-type Activities					235,160	(353,710)	(118,550)
Net Position, July 1, 2013, as previously presented					4,964,491	2,620,362	7,584,853
Prior Period Adjustments to Opening Net Position (Note L)					(1,017)	(139,138)	(140,155)
Net Position, July 1, 2013, as restated					<u>4,963,474</u>	<u>2,481,224</u>	<u>7,444,698</u>
Net Position, June 30, 2014					<u>\$5,198,634</u>	<u>\$2,127,514</u>	<u>\$7,326,148</u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
As of June 30, 2014

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents			
Cash	\$ 196,168	-	\$ 196,168
Cash, Restricted	-	\$ 54,876	54,876
Certificates of Deposit	145,000	-	145,000
Receivables	299,987	-	299,987
Prepaid Expenses	12,218	-	12,218
Due from Other Funds	646,398	49,813	696,211
Total Assets	<u>\$ 1,299,771</u>	<u>\$ 104,689</u>	<u>\$ 1,404,460</u>
Liabilities			
Accounts Payable	\$ 105,450	-	\$ 105,450
Accrued Expenses	70,779	-	70,779
Due to Other Funds	270,989	17,280	288,269
Total Liabilities	<u>\$ 447,218</u>	<u>17,280</u>	<u>\$ 464,498</u>
Fund Balance			
Non-spendable	\$ 12,218	\$ -	\$ 12,218
Restricted	-	87,409	87,409
Unassigned	840,335	-	840,335
Total Fund Balances	<u>852,553</u>	<u>87,409</u>	<u>939,962</u>
Total Liabilities and Fund Balances	<u>\$ 1,299,771</u>	<u>\$ 104,689</u>	<u>\$ 1,404,460</u>

City of Greensburg, Kentucky
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
As of June 30, 2014

Total Fund Balance - Total Governmental Funds \$ 939,962

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 \$1,761,036. 6,186,202

Notes receivable, sinking fund deposits and other assets are long-term assets that are not available to pay for current expenditures and therefore are not reported in the fund financial statements. 80,088

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. (1,998,389)

Other Long-Term Liabilities are not reported in the fund financial statements. (9,229)

Net Position of Government Activities \$ 5,198,634

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2014

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues			
Franchise Fees	\$ 142,486	-	\$ 142,486
Insurance Premium Tax	269,787	-	269,787
Occupational Tax	429,400	-	429,400
Property Tax	208,902	-	208,902
Rent Income	104,012	-	104,012
Other Revenues	104,965	-	104,965
Intergovernmental Revenues	40,350	58,310	98,660
Grant Revenues	373,672	-	373,672
Interest Income	3,311	66	3,377
Total Revenues	<u>1,676,885</u>	<u>58,376</u>	<u>1,735,261</u>
Expenditures			
General Government	(1,229,566)	-	(1,229,566)
Municipal Streets	(27,175)	-	(27,175)
Debt Service		-	
Principal	(520,009)	-	(520,009)
Interest	(80,456)	-	(80,456)
Capital Outlay	(1,778,115)	-	(1,778,115)
Total Expenditures	<u>(3,635,321)</u>	<u>-</u>	<u>(3,635,321)</u>
Excess of Revenues and Grants Over (Under) Expenditures	<u>(1,958,436)</u>	<u>58,376</u>	<u>(1,900,060)</u>
Other Financing Sources (Uses)			
Proceeds from Long-term Debt	1,949,286	-	1,949,286
Proceeds from Sale of Assets	1,495	-	1,495
Payments to Sinking Fund	(51,812)	-	(51,812)
Transfer from (to) Water and Sewer Fund	78,076	-	78,076
Transfer from (to) Municipal Aid Fund	86,800	(86,800)	-
Net Other Financing Sources (Uses)	<u>2,063,845</u>	<u>(86,800)</u>	<u>1,977,045</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	105,409	(28,424)	76,985
Fund Balances, July 1, 2013	747,144	116,849	863,993
Prior Period Adjustment to Opening Fund Balance (Note L)	-	(1,017)	(1,017)
Fund Balances, July 1, 2013 as restated	<u>747,144</u>	<u>115,832</u>	<u>862,976</u>
Fund Balances, June 30, 2014	<u>\$ 852,553</u>	<u>\$ 87,408</u>	<u>\$ 939,961</u>

**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, 2014**

Net change in fund balance- total governmental funds \$76,985
**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	1,778,115
Amortization and depreciation	(237,930)

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	520,009
Proceeds of debt issued	(1,949,286)
Payment to Sinking Fund	51,812

Increases in other long-term liabilities provide current financial resources.	(4,545)
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Change of Net Position of Governmental Activities	\$ 235,160
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City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2014

Assets	Water and Sewer Utility
Current Assets	
Cash and Cash Equivalents	\$142,946
Restricted Cash	78,056
Certificates of Deposit	255,892
Accounts Receivables	180,916
Prepaid Expenses	12,414
Total Current Assets	<u>670,224</u>
Non-current Assets	
Capital Assets	
Water and Sewer System	12,412,682
Accumulated Depreciation	(7,089,285)
Water Bond Sinking Fund	205,379
Due from Other Funds	147,969
Total Non-current Assets	<u>5,676,746</u>
Total Assets	<u><u>\$6,346,970</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$199,662
Accrued Expenses	2,372
Customer Deposits	50,010
Bonds and Notes Payable	
Due Within One Year	392,130
Notes Payable, Interfund	
Due Within One Year	24,271
Total Current Liabilities	<u>668,445</u>
Non-current Liabilities	
Accrued Compensated Absences	6,604
Bonds and Notes Payable	
Due in More Than One Year	2,988,496
Due to Other Funds	555,911
Total Non-current Liabilities	<u>3,551,011</u>
Total Liabilities	<u><u>\$4,219,456</u></u>

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds - Continued
As of June 30, 2014

Net Position	Water and Sewer <u>Utility</u>
Invested in Capital Assets, Net of Related Debt	1,942,771
Restricted	78,056
Unrestricted	<u>106,687</u>
Total Net Position	<u>2,127,514</u>
Total Liabilities and Net Position	<u><u>6,346,970</u></u>

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Position - Proprietary Fund
For the Year Ended June 30, 2014

Water and
Sewer
Utility

Operating Revenues

Sewer Service	\$	353,699
Water Service		814,014
Water GT PSC Repayment		617
Water Meter Connection		13,600
Total Operating Revenues		<u>1,181,930</u>

Operating Expenses

Salaries and Benefit Expenses		560,780
Contractual		83,281
Materials and Supplies		88,248
Repairs and Maintenance		80,627
Utilities		133,089
Other Expenses		85,663
Total Operating and Maintenance Expenses		<u>1,031,688</u>

Operating Income Before Depreciation and Amortization 150,242

Depreciation and Amortization (375,587)

Operating Income (Loss) (225,345)

Non - Operating Revenues (Expenses)

Interest Income		2,188
Sale Proceeds		6,434
Other Income		24,096
Interest Expense		(83,007)
Transfers		<u>(78,076)</u>

Total Non - Operating Income (Expenses) (128,365)

Change in Net Position (353,710)

Net Position, July 1, 2013, as previously presented 2,620,362

Adjustments to Opening Net Position (Note L) (139,138)

Net Position, July 1, 2013, as restated 2,481,224

Net Position, June 30, 2014 \$ 2,127,514

City of Greensburg, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

**Water and
Sewer
Utility**

Cash Flow from Operating Activities:

Cash Received from Customers	\$1,181,930
Cash Payments made to Suppliers, Employees and Professionals	<u>(746,688)</u>
Net Cash Provided by Operating Activities	<u>435,242</u>

Cash Flows from Non-Capital and Related Financing Activities:

Interfund Activity	65,175
Transfers In/(Out)	(78,076)
Customer Deposits (net)	<u>(549)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>(13,450)</u>

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Long-term Debt	(211,454)
Transfers to Water Bond Sinking Fund	(80,829)
Loan Proceeds	876,568
Interest Paid on Notes and Bonds	(83,007)
Additions to Capital Assets	<u>(949,924)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(448,646)</u>

Cash Flows from Investing Activities

Sale Proceeds	6,434
Insurance Reimbursement	1,692
Interest on Certificates of Deposits	<u>1,828</u>
Net Cash Provided by Investing Activities	<u>9,954</u>

Net Decrease in Cash and Cash Equivalents (16,900)

Cash and Cash Equivalents June 30, 2013 237,902

Cash and Cash Equivalents June 30, 2014 \$ 221,002

Cash and Cash Equivalents	142,946
Restricted Cash	<u>78,056</u>
Total Cash	<u>\$ 221,002</u>

City of Greensburg, Kentucky
Statement of Cash Flows - Continued
Proprietary Fund
For the Year Ended June 30, 2014

	Water and Sewer Utility
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Loss	(\$225,345)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and Amortization	375,587
Increases (Decreases) In:	
Accounts Receivables	108,939
Prepaid Expenses	(9,118)
Accounts Payable	185,283
Accrued Expenses	445
Customer Deposits	(549)
Net Cash Provided by Operating Activities	<u><u>\$435,242</u></u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

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 include the City's Administrative, Police, Fire, Maintenance, Paddle Trail and Micro-Enterprise Park departments, normally are supported by taxes and intergovernmental revenues. Governmental activities do not include Municipal Aid Activity. Governmental activities 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, 2014

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, 2014

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, 2014

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 nonspendable, 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 nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, 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 \$852,553 as of June 30, 2014. Prepaid expenses of \$12,218 are considered non-spendable.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$54,876 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 as 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, 2014, appropriations exceeded expenditures in the general fund by \$105,409.

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. The allowance for uncollectible allowance has been established for the receivables based on an estimate of what will potentially be collected.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

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 \$180,916 comprises all of the 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, 2014. 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, 2014

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, 2014

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, 2014

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, 2014, 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, 2014. 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	\$ 254,347	\$ 320,272	\$ -	\$ 574,719	\$ 472,046
Savings and time deposits	\$ 404,380	\$ 8,697	\$ -	\$ 413,077	\$ 400,892
Total	<u>\$ 658,727</u>	<u>\$ 329,069</u>	<u>\$ -</u>	<u>\$ 987,796</u>	<u>\$ 872,938</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, 2014

Note C – Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Land	\$529,034	\$ -	-	\$529,034
Buildings	3,228,823	375,525	-	3,604,348
Equipment	233,479	1,377,686	-	1,611,165
Furniture	25,355	-	-	25,355
Software	27,619	-	-	27,619
Vehicles	372,635	24,904	-	397,539
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Total Capital Assets	<u>6,169,123</u>	<u>1,778,115</u>	-	<u>7,947,238</u>
Less Accumulated Depreciation:				
Buildings	(613,242)	(91,960)	-	(705,202)
Equipment	(179,513)	(72,771)	-	(252,284)
Furniture	(25,355)	-	-	(25,355)
Software	(27,072)	(547)	-	(27,619)
Vehicles	(260,061)	(38,077)	-	(298,138)
Streetscape	(382,410)	(31,352)	-	(413,762)
Connector Road	(35,453)	(3,223)	-	(38,676)
Total accumulated depreciation	<u>(1,523,106)</u>	<u>(237,930)</u>	-	<u>(1,761,036)</u>
Total capital assets, net	<u>\$4,646,017</u>	<u>\$1,540,185</u>	-	<u>\$6,186,202</u>
Business-Type Activities:				
Land	\$145,450	-	-	\$145,450
Buildings	77,731	-	-	77,731
Equipment	435,980	-	-	435,980
Sewer System	5,644,371	-	-	5,644,371
Vehicles	124,526	-	-	124,526
Water System	5,034,700	949,924	-	5,984,625
Total cost	<u>11,462,758</u>	<u>949,924</u>	-	<u>12,412,683</u>
Accumulated depreciation:				
Buildings	(75,931)	(600)	-	(76,531)
Equipment	(415,539)	(6,628)	-	(422,167)
Sewer System	(3,346,470)	(191,626)	-	(3,538,096)
Vehicles	(99,755)	(5,450)	-	(105,205)
Water System	(2,777,052)	(170,234)	-	(2,947,286)
Total accumulated depreciation	<u>(6,714,747)</u>	<u>(374,538)</u>	-	<u>(7,089,285)</u>
Total capital assets, net	<u>\$4,748,011</u>	<u>\$575,386</u>	-	<u>\$5,323,398</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

Note D – Receivables

As of June 30, 2014, the Receivables due the City consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
AR- Click it or Ticket Grant	\$316	-
AR- Code Enforcement Revenue	4,814	-
AR- COPS Grant	11,014	-
AR- Delinquent Property Taxes	19,770	-
AR- Emergency 911	57,053	-
AR- Franchise Fees	19,716	-
AR- Insurance Premium Tax	57,279	-
AR- Insurance Proceeds	5,555	-
AR- KLEFPF	2,267	-
AR- Licenses	1,174	-
AR- Other	2,056	-
AR- Other Income	5,173	-
AR- Police Drug fund Account	2,000	-
AR- Property Tax Revenue	2,752	-
AR- Safety Grant	906	-
AR- Sales Proceeds	1,000	-
AR- School Resource Officer	911	-
AR-Net Profits Tax	1,951	-
AR-Occupational Taxes	112,993	-
AR-Vehicle Taxes	1,287	-
Allowance for Doubtful Accounts	(10,000)	-
AR- Utility Service Customers		180,916
	<u>\$299,987</u>	<u>\$ 180,916</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

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, 2014, 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 \$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.	\$ 42,856	\$ 15,289
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.	160,000	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	75,261	75,261
Note payable with bank; original issue amount \$403,321; dated November 25, 2013 secured by mortgage on real property; 3.99% interest, rate; with final maturity date November 25, 2028	391,522	20,554
General Obligation Lease Agreement, original issue amount \$1,390,000; dated July 30, 2013; due February 1, 2029, 3.12% interest rate, secured by personal property and City revenues	<u>1,328,750</u>	<u>77,085</u>
Total Notes Payable and Fixed Rate Swap Lease	<u>\$ 1,998,389</u>	<u>\$ 208,189</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

Business-type Activities

As of June 30, 2014, 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, 2015	<u>\$24,271</u>	<u>\$24,271</u>
Total Notes Payable, Interfund	<u>\$24,271</u>	<u>\$24,271</u>

As of June 30, 2014, 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	\$1,239,000	\$ 48,000
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	428,400	6,000
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 June 1, 2015	330,000	330,000
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	67,798	5,041
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	442,965	7,194
Note payable with bank, original issue \$2,971,000; dated March 21, 2014; due March 21, 2016; interest @ 2.6%, unsecured	876,568	-
Unamortized bond discount and loss on extinguishment of debt	<u>(4,105)</u>	<u>(4,105)</u>
Total Bonds and Notes Payable	<u>\$3,380,626</u>	<u>\$392,130</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2014:

<u>General Government Activities</u>	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2014</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	105,809	-	(105,809)	-
\$75,236, Note with bank, due February 21, 2017, 3.25% interest annual interest, Secured by police vehicles (3)	53,551	-	(10,965)	42,856
\$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	180,000	-	(20,000)	160,000
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	219,752	155,965	(300,456)	75,261
Note payable with bank; original issue amount \$403,321; dated November 25, 2013 secured by mortgage on real property; 3.99% interest, rate; with final maturity date November 25, 2028	-	403,321	(11,799)	391,522
General Obligation Lease Agreement, original issue amount \$1,390,000; dated July 30, 2013; due February 1, 2029, 3.12% interest rate, secured by personal property and City revenues	-	1,390,000	(61,250)	1,328,750
	<u>\$569,112</u>	<u>\$1,949,286</u>	<u>(\$520,009)</u>	<u>\$1,998,389</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

<u>Business-type Activities</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
United States Department of Agriculture (USDA) Rural Development Revenue Bonds 1993 Series; maturing January 1, 2031; interest@5.00%	\$1,284,000	-	(\$45,000)	\$1,239,000
1989 F Kentucky Infrastructure Authority (KIA) Revenue Bonds, original issue \$542,486; maturing through January 1, 2016, interest variable	364,583	-	(34,583)	330,000
United States Department of Agriculture (USDA) Rural Development, original issue \$450,000 due January 1, 2048, interest @ 4.125%, secured by Revenue bonds	434,100	-	(5,700)	428,400
Kentucky League of Cities Long-term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured by City revenues	72,271	-	(4,473)	67,798
United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured	450,000	-	(7,035)	442,965
Note with bank, original issue \$120,200; due May 1, 2014, interest @ 3.5%, unsecured	119,806	-	(119,806)	-
Note payable with bank, original issue \$2,971,000; dated March 21, 2014; due March 21, 2016; interest @ 2.6%, unsecured	-	876,568	-	876,568
Unamortized bond discount and loss on extinguishment of debt	(9,248)	-	5,143	(4,105)
	<u>\$2,715,512</u>	<u>\$876,568</u>	<u>(\$ 211,454)</u>	<u>\$3,380,626</u>

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2014

General Government Activity

	Loan # 3084264	Bank Loan	Loan # 7100364988	Loan # 3087557	Loan # Ky Bond Corp.	Total
2015	75,809	26,693	16,454	37,054	117,433	273,443
2016	-	25,767	16,321	37,071	109,410	188,569
2017	-	24,831	11,899	36,997	112,600	186,327
2018	-	28,684	-	36,919	112,600	178,203
2019	-	27,517	-	36,948	112,600	177,065
2020-2024	-	51,458	-	180,025	563,002	794,485
2025-2029	-	-	-	155,627	525,598	681,225
Total	75,809	184,950	44,674	520,641	1,653,243	2,479,317
Current	75,809	26,693	16,454	37,054	117,433	273,443
Long-term	0	158,257	28,220	483,587	1,535,810	2,205,874

Note) Payments include principal and interest.

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2014

Business Type Activity

	1993	USDA	KIA	KLC	USDA	Bank	Current	
	Bonds 92-02	RD 91-05	Revenue Bonds	Note	RD 92-08	Note	Expense Fund	Total
2015	\$109,950	\$22,790	\$343,860	\$7,346	\$17,121	-	\$25,263	\$526,330
2016	109,550	22,690	-	7,344	17,121	1,033,068		1,189,773
2017	110,050	22,690	-	7,345	17,121	-		157,206
2018	109,400	22,790	-	7,345	17,121	-		156,656
2019	109,650	22,691	-	7,345	17,121	-		156,807
2020-2024	548,700	113,252	-	36,725	85,605	-		784,282
2025-2029	550,450	112,951	-	14,077	85,605	-		763,083
2030-2034	221,600	112,552	-	-	85,605	-		419,757
2035-2039	-	110,652	-	-	85,603	-		196,255
2040-2044	-	111,251	-	-	85,625	-		196,876
2045-2049	-	112,070	-	-	84,755	-	-	196,825
2050-2054	-	-	-	-	68,494	-	-	68,494
2055-2059	-	-	-	-	-	-	-	-
Total	1,869,350	786,379	343,860	87,527	666,897	1,033,068	25,263	4,812,344
Current	109,950	22,790	343,860	7,346	17,121	0	25,263	526,330
Long-term	\$1,759,400	\$763,589	\$0	\$80,181	\$649,776	\$1,033,068	\$0	\$4,286,014

Note) Payments include principal and interest.

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2014

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$208,189	\$65,254	\$273,443	\$420,506	\$105,824	\$526,330
2016	131,816	56,753	188,569	944,544	245,229	1,189,773
2017	131,219	55,108	186,327	72,029	85,177	157,206
2018	127,697	50,506	178,203	74,687	81,969	156,656
2019	131,266	45,799	177,065	78,258	78,549	156,807
2020-2024	636,958	157,527	794,485	448,983	335,299	784,282
2025-2029	631,243	49,982	681,225	540,235	222,848	763,083
2030-2034	-	-	-	318,248	101,509	419,757
2035-2039	-	-	-	131,877	64,378	196,255
2040-2044	-	-	-	155,068	41,808	196,876
2045-2049	-	-	-	159,414	37,411	196,825
2050-2054	-	-	-	65,153	3,341	68,494
2055-2059	-	-	-	-	-	-
Totals	<u>\$ 1,998,388</u>	<u>\$ 480,929</u>	<u>\$ 2,479,317</u>	<u>\$ 3,409,002</u>	<u>\$ 1,403,342</u>	<u>\$ 4,812,344</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2014

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 \$217 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 council members, 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, 2014

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, 2014, 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, 2014, participating employers contributed 18.89% of each non-hazardous employee's wages and 35.7% 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.

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>
2014	\$129,829	100%
2013	\$141,724	100%
2012	\$185,098	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, 2014 was \$ 36,000 year.

Note L – Prior Period Adjustments

Government-wide net position for Governmental Activities was decreased by \$1,017 as a result of an adjustment to accrued interest receivable. Receivables in the Municipal Aid fund balance were decreased by \$1,017 as this amount was incorrectly recorded as a current asset as of June 30, 2013.

Business-type net position was decreased by \$ 139,138 as a result of the following adjustments.

- Receivables were decreased by \$199,518. This amount was incorrectly recorded as a current asset as of June 30, 2013.
- Long-term investments, comprised of the Water Bond Sinking Fund, was increased by \$60,379. This amount was not reported as a non-current asset as of June 30, 2013.

Note M- Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 5, 2015, 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, 2014, have not been evaluated by the City.

- On October 27, 2014, the City approved a contract to sell the former Micro-Enterprise Park facility to a non-related entity for \$500,000.00. The buyer, who operates two businesses in the facility, plans to expand their future operations, creating an estimated 40 jobs.

City of Greensburg, Kentucky
Budgetary Comparison Schedule, General Government Fund
For the Year Ended June 30, 2014

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final Budget <u>Variance</u>
Revenues				
Franchise Fees	\$110,000	\$110,000	\$142,486	\$32,486
Insurance Premium Tax	250,000	250,000	269,787	19,787
Occupational Tax	476,000	476,000	429,400	(46,600)
Property Tax	220,000	220,000	208,902	(11,098)
Rent Income	91,000	91,000	104,012	13,012
Other Revenues	145,062	145,062	104,965	(40,097)
Intergovernmental Revenues	94,350	94,350	40,350	(54,000)
Grant Revenues	820,500	820,500	373,672	(446,828)
Interest Income	3,000	3,000	3,311	311
Transfers In/Out	66,800	66,800	164,876	98,076
Sale Proceeds	3,000	3,000	1,495	(1,505)
Loan Proceeds	1,900,000	1,900,000	1,897,474	(2,526)
Total Revenues	\$4,179,712	\$4,179,712	\$3,740,730	(\$438,982)
Appropriations				
Administration	361,697	361,697	458,133	(96,436)
Debt Service	199,017	199,017	596,678	(397,661)
Police	418,201	418,201	407,687	10,514
Fire	33,640	33,640	27,326	6,314
City Maintenance	307,477	307,477	333,815	(26,338)
HRMEP	48,326	48,326	66,202	(17,876)
Paddle Trail	19,214	19,214	13,018	6,196
Grant Expenses	2,425,500	2,425,500	1,732,462	693,038
Total Appropriations	\$3,813,072	\$3,813,072	\$3,635,321	\$177,751
Excess of Resources Over(Under) Appropriations	366,640	366,640	105,409	(261,231)
Fund Balance July 1, 2013	531,287	531,287	747,144	(220,865)
Fund Balance June 30, 2014	\$897,927	\$897,927	\$852,553	(\$482,096)

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Municipal Aid Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final <u>Budget</u> <u>Variance</u>
Revenues				
Intergovernmental Revenue	\$66,800	\$66,800	\$58,310	(\$8,490)
Interest Income	40	40	66	26
Total Revenues	\$66,840	\$66,840	\$58,376	(8,464)
Appropriations				
Transfers Out	66,840	66,840	86,800	(19,960)
Total Appropriations	\$66,840	\$66,840	\$86,800	(19,960)
Excess of Resources Over(Under) Appropriations	0	0	(28,424)	(28,424)
Fund Balance July 1, 2013	39,690	39,690	116,849	59,885
Prior Period Adjustments to Opening Fund Balance (Note L)	-	-	(1,017)	(1,017)
Fund Balance July 1, 2013 (as restated)	39,690	39,690	115,832	58,868
Fund Balance June 30, 2014	\$39,690	\$39,690	\$87,408	\$31,461

City of Greensburg, Kentucky
Budgetary Comparison Schedule, Water and Sewer Fund
For the Year Ended June 30, 2014

	Budgeted Amounts	Budgeted Amounts	Actual	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance</u>
Revenues				
Charges for Service, Sewer	\$421,401	\$421,401	\$353,699	(\$67,702)
Charges for Service, Water	872,847	872,847	814,631	(58,216)
Other Revenues	25,000	25,000	22,400	(2,600)
Health Insurance Reimbursement	4,712	4,712	1,692	(3,020)
Water Connection Fees	11,000	11,000	13,600	2,600
Interest Income	3,000	3,000	2,188	(812)
Grant Revenues	4,622,000	4,622,000	0	(4,622,000)
Sale Proceeds	0	0	6,434	6,434
Loan Proceeds	2,616,000	2,616,000	876,568	(1,739,432)
Total Revenues	\$8,575,960	\$8,575,960	\$2,091,212	(\$6,484,748)
Appropriations				
Capital Outlay	\$7,263,000	\$7,263,000	\$949,924	\$6,313,076
Debt Retirement, Water	86,428	86,428	98,754	(12,326)
Debt Retirement, Sewer	144,176	144,176	273,783	(129,607)
Water Operations	606,261	606,261	588,043	18,218
Sewer Operations	428,692	428,692	386,811	41,881
Total Appropriations	\$8,528,557	\$8,528,557	\$2,297,315	\$6,231,242
Transfers Out	-	-	\$78,076	\$78,076
Excess of Resources Over(Under) Appropriations	47,403	47,403	(284,179)	(253,506)
Fund Balance July 1, 2013	1,689,312	1,689,312	1,154,901	(534,411)
Fund Balance June 30, 2014	\$1,736,715	\$1,736,715	\$870,722	(\$787,917)

City of Greensburg, Kentucky
Notes to Financial Statements
As of June 30, 2014
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- Enterprise Funds

Change in Net Assets, Budget Basis	(\$284,179)
Reconciling amounts:	
Increase in long-term debt	(876,568)
Decrease in long-term debt- Water	52,035
Decrease in long-term debt- Sewer	159,419
Capitalized grant expenses	949,924
Depreciation and amortization, Water	(178,888)
Change in compensated absences	20,192
Depreciation, Sewer	(195,650)
Rounding	<u>4</u>
Change in Net Position, GAAP Basis	<u>(\$353,710)</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, 2014 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2014 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	2014
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</u>	<u>Expenditures</u>	<u>Budgeted</u>
2010	\$28,651	\$39,040
2011	\$49,064	\$40,050
2012	\$26,927	\$50,000
2013	\$23,136	\$55,000
2014	\$27,175	\$23,136

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2014

Expenditures	General Activities	Municipal Street Activities	Totals
Advertising	\$8,386	-	\$8,386
Automated Emergency Notificatio	3,000	-	3,000
Bad Debt Expense	10,000	-	10,000
Bond Issuance expense	33,400	-	33,400
Building Inspection Fees/Permit	1,478	-	1,478
Capital Projects - Equipment	1,884	-	1,884
CEP Testing per KRS	200	-	200
Code Enforcement Ordinances	1,592	-	1,592
Community Center Programming	1,629	-	1,629
Community Dev. - Director's Exp	16,062	-	16,062
Community Programs	6,414	-	6,414
Computer/Software	3,553	-	3,553
Contractual Services	11,400	-	11,400
Credit Card Fees	316	-	316
Debt Service	80,456	-	80,456
Depreciation expenses	237,930	-	237,930
Dues & Subscriptions	1,665	-	1,665
Fees	5,274	-	5,274
Fireman's Fees	7,716	-	7,716
Grant Expenses	3,223	-	3,223
Greensburg 20/20	192	-	192
Insurance	76,853	-	76,853
Interlocal Agreement	35,000	-	35,000
Job Equipment allowance	462	-	462
Mayor & City Council	3,486	-	3,486
Minor Equipment	174	-	174
Other Expenses	19,547	-	19,547
Paver-Bench-Lightpole Expenses	14,132	-	14,132
Performance Contract Project	179	-	179
Personnel	416,966	-	416,966
Personnel- Insurance Benefits	68,206	-	68,206
Personnel- Retirement	65,204	-	65,204
Personnel Taxes - FICA/MC	29,870	-	29,870
Postage	1,312	-	1,312
Professional Fees	36,422	-	36,422
Repairs & Maintenance	98,532	-	98,532
Shelter House Expenditures	4,130	-	4,130
Streets	27,175	-	27,175

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2014

Expenditures	General Government Activities	Municipal Street Activities	Totals
Supplies	29,915	-	29,915
Transfer to CEF		86,800	86,800
Travel & Training	4,073	-	4,073
Unemployment	2,492	-	2,492
Uniforms	3,740	-	3,740
Utilities	201,425	-	201,425
Web Site	4,607	-	4,607
Total Expenditures	\$1,579,672	\$86,800	\$1,666,472
Revenues			
Code Enforcement Revenue	\$4,814	-	\$4,814
Community Center Activity Fee	2,976	-	2,976
County Fire Dept. Rent	4,500	-	4,500
Economic Development Support	6,413	-	6,413
Franchise Fees	142,486	-	142,486
Grant Income	373,672	-	373,672
HB 380 HI Revenue	7,258	-	7,258
Insurance Premium Taxes	269,787	-	269,787
Insurance Proceeds	18,917	-	18,917
Interest Income	3,311	66	3,377
Intergovernmental revenue	2,350	58,310	60,660
KLEFPF	17,698	-	17,698
Law Enforcement revenue	4,794	-	4,794
Licenses/permits Income	11,049	-	11,049
Occupational Tax Revenue	398,526	-	398,526
Occupational taxes- Net Profits	30,874	-	30,874
Other Income	16,018	-	16,018
Paddle Trail/Cabins Income	19,922	-	19,922
Pavers-Benches-Lightpole Income	3,700	-	3,700
Police Dept. Collections	865	-	865
Program Support	1,516	-	1,516
Program Support Greensburg 2020	11,510	-	11,510
Property Tax Revenue	189,271	-	189,271
Rental Income	99,512	-	99,512
Sale proceeds	1,495	-	1,495
School Resource Officer	3,278	-	3,278
Shelter House Donations	3,987	-	3,987
State Aid- Fire Dept.	8,250	-	8,250
Transfer from OM	78,076	-	78,076
Transfer from LGEA	6,800	-	6,800
Transfer from Municipal Aid	80,000	-	80,000
Vehicle taxes	19,631	-	19,631
Total Revenues	1,843,256	58,376	1,901,632
Net Revenues and Grant Revenue Over Expenditures and Transfers	\$263,584	(\$28,424)	\$235,160

**City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities
For the Year Ended June 30, 2014**

Operating Expenditures	Sewer and Water Service <u>Activities</u>
Advertising	\$619
Amortization	1,049
Chemicals	65,941
Computer/Software	8,801
Interest	83,007
Depreciation	374,538
Equipment/Parts	2,348
Extinguishment Loss	4,094
Insurance	60,966
Licenses	476
NPC Fees	3,217
Other	2,080
Personnel	368,854
Personnel Benefits	164,074
Personnel Taxes	27,852
Postage	5,940
Professional Fees	22,315
Rent	36,000
Repairs & Maintenance	74,108
Sludge disposal	4,171
Supplies	22,307
Testing	16,840
Training and Travel	6,684
Transfer Out	78,076
Uniforms Allowance	912
Utilities	111,024
Water purchased	22,061
Total Operating Expenditures	<u>1,568,354</u>

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities - Continued
For the Year Ended June 30, 2014

Revenues	Sewer and Water Service Activities
Fees- Water	\$ 814,014
Fees- Sewer	353,699
Fees- Water, GT PSC Repayment	617
Health Ins Reimbursement	1,692
Interest Income	2,188
Other Income	22,400
Sales Proceeds	6,434
Water Meter Connection Income	<u>13,600</u>
Total Revenues and Grant	<u>1,214,644</u>
Net Expenditures Over Revenues	<u>\$ (353,710)</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, 2014, 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 February 5, 2015.

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 preceding paragraph 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 a deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [2014-1]

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*.

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

February 5, 2015

**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, 2014. 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, 2014.

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

February 5, 2015

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Greensburg, Kentucky.
2. One deficiency 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 this deficiency to be material weakness.
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: CFDA #

Rural Development Loan – Water and Waste Disposal
System for Rural Communities 10.760
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.
10. One finding related to other matters not involving major federal award programs in accordance with *Section .320 of OMB Circular A-133* was disclosed.

City of Greenburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

B. Financial Statement Findings

2014-1

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:

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:

Our audit identified two material audit adjustments that were necessary to prepare the financial statements in conformity with generally accepted accounting principles. One adjustment related to accounts payable cutoff controls in which our audit procedures identified an invoice that was not properly included in accounts payable at June 30, 2014 for the General Fund. The other adjustment related to the sinking fund account reconciliation in which our procedures identified a variance with the statement provided by a third party for the Water and Sewer Fund.

Effect:

Certain account balances within the City's 2014 financial statements were misstated.

Recommendation:

We recommend the City formalize its policy and procedures related to accounts payable cutoff to strengthen controls and ensure all liabilities are properly recorded at year end. In addition, we recommend the City reconcile sinking fund accounts to third party statements on a periodic basis.

Views of responsible officials and planned corrective actions:

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

City of Greenburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

C. Major Federal Award Findings and Questioned Costs

No matters were reported.

D. Other Matters Not Involving Major Federal Awards

2014-2

Criteria:

According to *Section .320 Report Submission of OMB Circular A-133*, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition:

The data collection form for the City of Greensburg's 2013 audit was not submitted by the due date of March 31, 2014.

Cause:

The City of Greensburg 2013 audited was not finalized until June 4, 2014.

Effect:

In accordance with *OMB Memorandum M-10-14*, the effect of failing to file the City's 2013 data collection form with the Federal Audit Clearinghouse by the prescribed due date is the City is not eligible for Low-Risk Auditee Status with regards to audits performed in accordance with OMB A-133 for the next two audit periods.

Recommendation:

We recommend management implement the necessary procedures to adequately identify, monitor and comply with federal and state reporting requirements.

Views of responsible officials and planned corrective actions:

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

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

E. Schedule of Prior Year Audit Findings

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. In fiscal year 2014, the fixed asset depreciation schedule was reconciled to the general ledger.

City of Greensburg, Kentucky
Schedule of Expenditures of Federal Awards
For the Year Ended June 2014

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	\$ 25,000
<u>U.S. Department of Homeland Security</u>					
Legislative Pre-Disaster Mitigation Grant (Passed through the State of Kentucky)	97.047	KY20090414-0706	03/29/09 - 3/31/12 (Extended through 12/31/13)	528,400	159,296
Homeland Security Grant (Pass through the State of Kentucky)	97.067			10,741	10,741
<u>U.S. Department of Justice</u>					
Community Oriented Policing Services (COPS)	16.710	KY04401	9/2/11-8/31/14	144,054	43,725
<u>U.S. Department of Agriculture</u>					
Rural Development Loan - Water and Waste Disposal Sys. for Rural Communitie:	10.760			3,071,000	<u>876,568</u>
Total					<u>\$ 1,115,330</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.