



City of Greensburg, Kentucky

Audit of the Financial Statements

As of June 30, 2015

And For the Year Then Ended

With Report of Independent Auditor

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February 15, 2016

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, 2015, 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.

Respectfully 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, 2018
Council Member	Jerry Cowherd	December 31, 2016
Council Member	Emily Jeffries	December 31, 2016
Council Member	Sandi Moran	December 31, 2016
Council Member	Brenda Patterson	December 31, 2016
Council Member	Steve Stone	December 31, 2016
Council Member	Reva Nell Tucker	December 31, 2016
City Clerk	Janie Casey	
Police Chief	Wayne Hedgespeth	
Fire Chief	Lawrence Gupton	
Public Works Director	Roger Skaggs	
Water Plant Chief Operator	Joe Creason	
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, 2015**

**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 severe challenges facing Greensburg, Green County and rural communities all across the country that will have to be confronted together as a community if we are to avoid much tougher decisions in the future. Some of these challenges, just to name a few, are an aging and declining population base, the training and retraining of our local work force to meet today's demands, and how to attract business and investment into Greensburg and Green County. From time to time this will require hard choices to be made, however I am happy to report Greensburg will be facing those challenges on strong financial footing.

Over the past year we have continued to see signs that our Community Development strategy is delivering positive results for the community. The 2015 Fiscal year saw several positive developments. The continued investment and development of the Greensburg By-Pass area and the construction of a new fiber network system capable of providing state of the art telecommunications by South Central Rural Telephone Cooperative making Greensburg one of the few Gigabit communities in Kentucky are just a few. Also, the sale of the Heartland Regional Micro-Enterprise Park to Henry Luken and his company Stone Fort, LLC holds the potential for economic and job growth in that facility over the long-term and provides substantive cash infusion for the City now in the short-term that can be used to address other community needs. The City's redevelopment efforts over the past several years 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 5.2% in November 2014 to 4.4% in November of 2015. (Source: St. Lewis Federal Reserve) Another positive sign recently reported, shows actual job growth in Green County between 2014 and 2015 to be up by 1.3% above the previous year's reported numbers. (Source: United States Dept. of Labor's Bureau of Labor Statistics).

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, continues to project population declines of 1.3% by 2020 and 4.7% by 2030. As we have pointed out on several occasions now, these long term pressures, if not dealt with, will 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 in three distinct areas – increasing the skills of our labor force, recruiting not only business and industry to our community but new residents as well and improving the aging housing and commercial building stock of the community. Without a concentrated effort to address these issues the declining population and resulting property values will force both higher taxes and fees to support the community's infrastructure on fewer and fewer people. I would suggest a good barometer for gauging our success moving forward would be found in measuring the direction of the community's average weekly wage.

Among the 117 small counties in Kentucky with employment below 75,000, Hancock (\$1,265), Ballard (\$1,105), and Carroll (\$1,063) were the only three to report an average weekly wage above the national average of \$1,048. Robertson County reported the lowest wage in the state, averaging \$487 in the first quarter of 2015. When all 120 counties in Kentucky were considered, 41 reported average weekly wages below \$600, 41 reported average weekly wages from \$600 to \$699, 22 had wages from \$700 to \$799, 8 had wages from \$800 to \$899, and 8 had wages above \$900. Currently Green County ranks at the bottom of the second tier with average weekly wages of \$611. (Source: United States Dept. of Labor's Bureau of Labor Statistics).

Again, after eight 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 warned on several occasions, 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 thirteen years we have seen an over all cut in full-time employment within the City's various departments of nearly 33% from 33 to 22 full-time employees. The City relies more and more on the use of part-time employees to make up the difference in order to manage the ever-increasing costs of pensions and health care. 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 fifteen years ago continues to be eroded by the increased day to day costs of operation – most of which the City has very little, if any, control over.

2015 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 Wastewater 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 General Fund base revenue -- taxes, franchise fees, license and other permit fees. The 2015 fiscal year saw a very slight increase of just over \$6,000 versus the 2014 audit year, which had seen an increase of nearly \$36,000, in these revenues. Over all when excluding fluctuations in grant revenue and other inter-agency transfers, the City of Greensburg recognized \$2,652 in over all revenue growth or .2% increase in total revenue.

As for Operations & Maintenance, the 2015-year was not as positive. The last three years were the first out of the last 15 that the Water and Sewer Department had turned a small profit. However, after adjusting for depreciation and grant activity the Water and Sewer Department saw a loss of just under \$79,000 in the 2015 fiscal year. Fortunately, this loss was off set by a one-time gain of just over \$101,000 on the settlement of debt service. And it should be noted that 2015 was another year where basic maintenance expenses continued to grow, a symptom of an aging infrastructure. In 2015 basic maintenance cost were over \$96,000, a large portion of which will be avoided in the future as the new Water Treatment facility goes on line in early 2016. 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 cash and savings on hand for CEF increased to over \$800,000. This is an increase of over \$405,000 over last year's closing balance. This puts the net asset value of the city's general government fund at just under \$4.4 million.

Water and Wastewater Department (O&M)

As noted above, the Water and Wastewater Departments appear to have had a loss for the year of just under \$79,000 based on reoccurring revenue and expenses. From an operational standpoint, this would translate to a 6.66% loss for the 2015 fiscal year. However, as noted above, considering one-time savings on the settlement of debt, the department turned in a slightly positive return for the fourth year in a row. It should be noted, to compare 2015 fiscal year to that of 2014 becomes overly convoluted due to the size and scope of the New Water Treatment Plant project versus that of a typical year's operation. For example, Operation and Maintenance would appear to have had an increase in cash on hand of over \$184,297 in 2015. However this is primarily due to the timing of project proceeds and subsequent expenditures. This project will wrap up by the end of the 2016 fiscal year and a more traditional accounting will resume for overall comparison in 2017.

Still, 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 near break-even point – a fact that has now been proven again during the 2015 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.

Conclusion to Financial Highlights

The City of Greensburg turned in a solid financial performance for the fiscal year of 2015 – increasing its overall net asset value by nearly \$598,000. Over the past thirteen years, the City of Greensburg has seen its total net asset value increase by over 278% - from just fewer than \$3 million in 2003 to just under \$8 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. The political wrangling and inaction being experienced at both the federal and state levels will only exacerbate these issues. One such issue is the implementation of GASB Statement No. 68.

Effects of GASB Statement No. 68 – Pension Deficit Charge

While the City recognizes the authority of the Governmental Accounting Standards Board (GASB), we strongly object to the implementation of GASB Statement No. 68. This statement requires the City (and all other entities participating in the Kentucky County Employee Retirement System) to recognize its collective share of the net pension liability represented by the current *estimated* deficit within the County Employees Retirement System (CERS) on their financial statements. The City of Greensburg's 2015 statements now include deferred outflows and deferred inflows of resources resulting in a net negative charge of \$1,024,000 to our balance sheet.

The employees of the City, *by state statute*, belong to the County Employee Retirement System. The City and the employees both contribute to this plan and both the City and the employees have contributed 100% of their actuarial required contributions as set by CERS. When these employees retire, the State of Kentucky through CERS pays their retirement and health care based on their salary and years of service. These retirees are even transferred into the State of Kentucky health care system by law. It is not the duty of the city to pay the employees once they retire – that becomes an obligation of CERS and the liability clearly should fall on their balance sheet. We as individuals do not carry the potential deficit of our homeowners insurance company on our balance sheet if they were to suffer catastrophic losses due to some natural disaster and nor should the City of Greensburg for what would clearly be a liability of the State of Kentucky. This pronouncement distorts the City's financial statements and leaves us subject to higher borrowing cost and potential lower bond ratings.

Non-Financial Highlight

Our continued focus on a holistic community and economic development strategy continues to prove successful. Currently, the City has received grant commitments for several 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 – not to mention the downtown free Wi-Fi HOT Spot. These projects 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 gallon per day Water Treatment facility is now under construction and scheduled to be completed in early 2016. 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 the expansion of the Green River Paddle Trail facilities to include public bathrooms and an open-air pavilion. The City is also in the preliminary stages of outlining phase one of a community "Greenway Belt" which will provide an opportunity 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. Construction on all these should begin in the spring of 2016.

The City closed on 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.

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, new residents and to provide opportunity for our existing residents as well.

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. 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 Greensburg must 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 can be 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 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 Abraham Lincoln said, "The best way to predict your future is to create it." Therefore we must continue to make deliberate decisions based on our long-term vision for our community. 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, 2015**

Condensed Statement of Net Position	General Government Activities	Business-Type Activities	Total 2015	Total 2014
Assets				
Current Assets	1,462,964	1,080,761	2,543,725	1,402,744
Capital Assets, Net	5,367,491	9,074,574	14,442,065	11,509,600
Other Non-Current Assets	<u>55,817</u>	<u>39,300</u>	<u>95,117</u>	<u>261,196</u>
Total Assets	<u><u>\$6,886,272</u></u>	<u><u>\$10,194,635</u></u>	<u><u>\$17,080,907</u></u>	<u><u>\$13,173,540</u></u>
Deferred Outflows of Resources	<u>44,636</u>	<u>40,165</u>	<u>84,801</u>	<u>-</u>
Liabilities				
Current Liabilities	239,620	756,698	996,318	1,052,863
Long Term Debt	1,695,473	5,417,994	7,113,467	4,778,696
Other Long Term Liabilities	<u>550,741</u>	<u>489,902</u>	<u>1,040,643</u>	<u>1,072,188</u>
Total Liabilities	<u><u>\$2,485,834</u></u>	<u><u>\$6,664,594</u></u>	<u><u>\$9,150,428</u></u>	<u><u>\$6,903,747</u></u>
Deferred Inflows of Resources	<u>48,004</u>	<u>43,196</u>	<u>91,200</u>	<u>-</u>
Net Position				
Invested in Capital Assets, Net of Debt	3,522,130	3,546,179	7,068,309	6,130,585
Restricted	132,264	147,989	280,253	77,870
Unrestricted	<u>742,676</u>	<u>(167,158)</u>	<u>575,518</u>	<u>61,338</u>
Total Net Position	<u><u>\$4,397,070</u></u>	<u><u>\$3,527,010</u></u>	<u><u>\$7,924,080</u></u>	<u><u>\$6,269,793</u></u>

**City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2015**

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011
Current Expense Fund					
Revenues					
Taxes	\$903,403	\$908,089	\$890,479	\$939,779	\$864,260
Intergovernmental Revenue	50,081	40,350	72,198	\$74,953	\$54,553
Franchise Fees	152,945	142,486	124,817	\$133,443	\$153,218
Grants	165,787	373,672	914,975	\$73,875	\$103,028
Rents	102,232	104,012	64,667	\$84,157	\$103,591
Interest Income	3,169	3,311	6,894	\$6,828	\$4,139
Other Income	95,530	104,965	100,635	\$66,660	\$81,676
Totals Revenues	<u><u>\$1,473,147</u></u>	<u><u>\$1,676,885</u></u>	<u><u>\$2,174,665</u></u>	<u><u>\$1,379,695</u></u>	<u><u>\$1,364,465</u></u>
Current Expense Fund					
Expenditures					
General Government	\$1,024,388	\$540,870	\$501,144	\$570,470	\$482,532
Public Safety, Police	388,122	421,194	436,027	\$479,287	\$483,198
Public Safety, Fire	39,084	28,395	38,471	\$99,910	\$27,768
City Maintenance	301,871	324,643	302,369	\$270,004	\$257,725
Grant Expenditures	5,546	3,402	1,212,515	\$79,206	\$102,244
Totals Expenditures	<u><u>\$1,759,011</u></u>	<u><u>\$1,318,504</u></u>	<u><u>\$2,490,526</u></u>	<u><u>\$1,498,877</u></u>	<u><u>\$1,353,467</u></u>

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2015

Fiscal Year Ended June 30, Current Expense Fund Revenues	2014	2014	2013	2012	2011
Taxes	61.33%	54.15%	40.95%	68.13%	63.34%
Licenses and Permits	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental Revenue	3.40%	2.41%	3.32%	5.43%	4.00%
Franchise Fees	10.38%	8.50%	5.74%	9.67%	11.23%
Grants	11.25%	22.28%	42.07%	5.35%	7.55%
Rents	6.94%	6.20%	2.97%	6.10%	7.59%
Interest Income	0.22%	0.20%	0.32%	0.49%	0.30%
Other Income	6.48%	6.26%	4.63%	4.83%	5.99%
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	58.24%	41.03%	20.12%	38.06%	35.66%
Public Safety, Police	22.06%	31.94%	17.51%	31.98%	35.70%
Public Safety, Fire	2.22%	2.15%	1.54%	6.67%	2.05%
City Maintenance	17.16%	24.62%	12.14%	18.01%	19.04%
Capital Expenditures	0.32%	0.26%	48.69%	5.28%	7.55%
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, 2015**

Fiscal Years Ended June 30, Business-type Fund Revenues	2015	2014	2013	2012	2011
Water Service	\$788,436	\$814,631	\$853,289	\$799,936	\$792,530
Sewer Service	363,180	353,699	364,516	349,165	311,403
Interest Income	1,876	2,188	3,833	4,457	5,211
Other Service	31,971	44,130	39,225	63,873	75,211
Totals Revenues	<u>\$1,185,463</u>	<u>\$1,214,648</u>	<u>\$1,260,863</u>	<u>\$1,217,431</u>	<u>\$1,184,355</u>
As a percentage:					
Water Service	66.50%	67.07%	67.68%	65.70%	66.92%
Sewer Service	30.64%	29.12%	28.91%	28.68%	26.29%
Interest Income	0.16%	0.18%	0.30%	0.37%	0.44%
Other Service	2.70%	3.63%	3.11%	5.25%	6.35%
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	\$517,761	\$560,780	\$606,052	\$568,192	\$558,783
Occupancy Expenses	163,757	147,028	132,864	\$114,006	\$110,153
Chemical and Testing Expenses	76,740	82,781	75,586	\$88,107	\$83,209
Maintenance and Repairs Expenses	131,529	80,627	85,353	\$148,172	\$141,337
Interest Expenses	220,799	161,083	119,917	\$115,779	\$107,172
Other Expenses	155,855	156,378	112,198	\$171,423	\$192,620
Depreciation and Amortization	370,972	379,681	381,548	\$376,869	\$326,455
Totals Expenditures	<u>\$1,635,413</u>	<u>\$1,568,358</u>	<u>\$1,513,518</u>	<u>\$1,582,548</u>	<u>\$1,519,729</u>
As a percentage:					
Personnel Cost	31.66%	35.76%	40.04%	35.90%	36.77%
Occupancy Expenses	10.01%	9.37%	8.78%	7.20%	7.25%
Chemical and Testing Expenses	4.69%	5.28%	4.99%	5.57%	5.48%
Maintenance and Repairs Expenses	8.04%	5.14%	5.64%	9.36%	9.30%
Interest Expenses	13.50%	10.27%	7.92%	7.32%	7.05%
Other Expenses	9.41%	9.97%	7.41%	10.83%	12.67%
Depreciation and Amortization	22.69%	24.21%	25.22%	23.82%	21.48%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note) table does not include non-operating revenues such as grants and gains.

**City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2015**

Capital Assets at Year End	General Government Activities	Business-Type Activities	Total 2015	Total 2014
Land	\$319,034	\$145,450	\$464,484	\$674,484
Buildings	2,811,026	77,731	2,888,757	3,682,079
Equipment	1,754,493	448,456	2,202,949	2,047,145
Furniture	26,178	-	26,178	25,355
Software	27,619	-	27,619	27,619
Vehicles	455,161	124,527	579,688	522,065
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	-	10,090,202	10,090,202	5,984,625
Total Capital Assets	\$7,145,689	\$16,530,737	\$23,676,426	\$20,359,921
Debt Outstanding at Year End				
Bonds Payable	-	\$4,204,098	\$4,204,098	\$2,110,365
Notes Payable	1,845,361	1,324,286	3,169,647	3,268,650
Total Debt Outstanding	\$1,845,361	\$5,528,384	\$7,373,745	\$5,379,015
Debt as a % of Capital Assets	25.82%	33.44%	31.14%	26.42%



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, 2015, 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, 2015, 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, budgetary comparison information and pension schedules on pages 3-13, 47-49 and 53-54, respectively, 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 51-52 and 55-57 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 on page 65 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 15, 2016, 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 CPA & PLLC

Baldwin CPAs, PLLC

February 15, 2016

City of Greensburg, Kentucky
Statement of Net Position
As of June 30, 2015

Assets	Governmental Activities	Business- Type Activities	Totals
Cash and Cash Equivalents	\$ 406,541	\$ 407,328	\$ 813,869
Restricted Cash	47,919	108,689	156,608
Certificates of Deposit	347,196	145,174	492,370
Receivables	317,316	750,093	1,067,409
Prepaid Expenses	6,665	6,804	13,469
Internal Balances, net	337,327	(337,327)	-
Other Long Term Assets	55,817	39,300	95,117
Capital Assets			
General Government	7,145,689	-	7,145,689
Water and Sewer System	-	16,530,737	16,530,737
Accumulated Depreciation	(1,778,198)	(7,456,163)	(9,234,361)
Total Assets	<u>6,886,272</u>	<u>10,194,635</u>	<u>17,080,907</u>
 Deferred Outflows of Resources			
Pension Contributions - Current Year	<u>44,636</u>	<u>40,165</u>	<u>84,801</u>
 Liabilities			
Accounts Payable	11,779	578,827	590,606
Accrued Expenses	77,953	17,695	95,648
Customer Deposits	-	49,775	49,775
Bonds and Notes Payable			
Due Within One Year	149,888	110,401	260,289
Due in More Than One Year	1,695,473	5,417,994	7,113,467
Other Long Term Liabilities	11,561	4,727	16,288
Net Pension Liability	<u>539,180</u>	<u>485,175</u>	<u>1,024,355</u>
Total Liabilities	<u>2,485,834</u>	<u>6,664,594</u>	<u>9,150,428</u>
 Deferred Inflows of Resources			
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	<u>48,004</u>	<u>43,196</u>	<u>91,200</u>
 Net Position			
Invested in Capital Assets, Net of Related Debt	3,522,130	3,546,179	7,068,309
Restricted	132,264	147,989	280,253
Unrestricted	<u>742,676</u>	<u>(167,158)</u>	<u>575,518</u>
Total Net Position	<u>\$ 4,397,070</u>	<u>\$ 3,527,010</u>	<u>\$ 7,924,080</u>

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants	Capital Grants	Primary Governmental Activities	Government Business-type Activities	
Governmental Activities							
General Government	\$ (1,451,417)	\$ 121,297	\$ 23,765	\$ 165,787	\$ (1,140,568)		\$ (1,140,568)
Municipal Street Activity	(47,065)	-	56,974	-	9,909		9,909
Total Governmental Activities	<u>(1,498,482)</u>	<u>121,297</u>	<u>80,739</u>	<u>165,787</u>	<u>(1,130,659)</u>		<u>(1,130,659)</u>
Business-type Activities							
Water and Sewer Services	(1,635,412)	1,165,141	-	2,248,256	-	1,777,985	1,777,985
Total	<u>\$ (3,133,894)</u>	<u>\$ 1,286,438</u>	<u>\$ 80,739</u>	<u>\$ 2,414,043</u>	<u>(1,130,659)</u>	<u>1,777,985</u>	<u>647,326</u>
General Revenues							
Property Taxes					220,265	-	220,265
Occupational/Net Profits Taxes					432,883	-	432,883
Fees, Licenses and Permits					420,276	-	420,276
Intergovernmental Revenue					26,316	-	26,316
Sale Proceeds					-	-	-
Other Income					59,589	18,445	77,834
Unrestricted Interest Income					3,169	-	3,169
Restricted Interest Income					67	1,876	1,943
Gain on settlement of debt					-	101,521	101,521
Loss on Sale of Asset					(277,246)	-	(277,246)
Total General Revenues					<u>885,119</u>	<u>121,842</u>	<u>1,006,961</u>
Transfers					<u>-</u>	<u>-</u>	<u>-</u>
					<u>885,119</u>	<u>121,842</u>	<u>1,006,961</u>
Net Change, Governmental and Business-type Activities					(245,540)	1,899,827	1,654,287
Net Position, July 1, 2014, as previously presented					5,198,634	2,127,514	7,326,148
Prior Period Adjustments to Opening Net Position (Note L)					(556,024)	(500,331)	(1,056,355)
Net Position, July 1, 2014, as restated					<u>4,642,610</u>	<u>1,627,183</u>	<u>6,269,793</u>
Net Position, June 30, 2015					<u>\$ 4,397,070</u>	<u>\$ 3,527,010</u>	<u>\$ 7,924,080</u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
As of June 30, 2015

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents			
Cash	\$ 406,541	\$ -	\$ 406,541
Cash, Restricted	-	47,919	47,919
Certificates of Deposit	347,196	-	347,196
Receivables	317,316	-	317,316
Prepaid Expenses	6,665	-	6,665
Due from Other Funds	715,488	49,813	765,301
Total Assets	<u>\$ 1,793,206</u>	<u>\$ 97,732</u>	<u>\$ 1,890,938</u>
Liabilities			
Accounts Payable	\$ 11,779	\$ -	\$ 11,779
Accrued Expenses	77,953	-	77,953
Due to Other Funds	410,694	17,280	427,974
Total Liabilities	<u>500,426</u>	<u>17,280</u>	<u>517,706</u>
Fund Balance			
Non-spendable	6,665	-	6,665
Restricted	-	80,452	80,452
Unassigned	1,286,115	-	1,286,115
Total Fund Balances	<u>1,292,780</u>	<u>80,452</u>	<u>1,373,232</u>
Total Liabilities and Fund Balances	<u>\$ 1,793,206</u>	<u>\$ 97,732</u>	<u>\$ 1,890,938</u>

City of Greensburg, Kentucky
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
As of June 30, 2015

Total Fund Balance - Total Governmental Funds **\$ 1,373,232**

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 \$1,778,198. 5,367,491

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. 55,817

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. (1,845,361)

Other Long-Term Liabilities are not reported in the fund financial statements. (11,561)

Certain Liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statements of net position.

Net Pension Liability (539,180)

Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Deferred outflows related to pension	44,636	
Deferred inflows related to pension	(48,004)	(3,368)

Net Position of Government Activities **\$ 4,397,070**

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2015

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues			
Franchise Fees	\$ 152,945	\$ -	\$ 152,945
Insurance Premium Tax	250,255	-	250,255
Occupational Tax	432,883	-	432,883
Property Tax	220,265	-	220,265
Rent Income	102,232	-	102,232
Other Revenues	95,530	-	95,530
Intergovernmental Revenues	50,081	56,974	107,055
Grant Revenues	165,787	-	165,787
Interest Income	3,169	67	3,236
Total Revenues	<u>1,473,147</u>	<u>57,041</u>	<u>1,530,188</u>
Expenditures			
General Government	1,163,711	-	1,163,711
Municipal Streets	30,347	16,718	47,065
Debt Service			
Principal	260,027	-	260,027
Interest	40,722	-	40,722
Capital Outlay	216,664	-	216,664
Total Expenditures	<u>1,711,471</u>	<u>16,718</u>	<u>1,728,189</u>
Excess of Revenues and Grants			
Over (Under) Expenditures	<u>(238,324)</u>	<u>40,323</u>	<u>(198,001)</u>
Other Financing Sources (Uses)			
Proceeds from Long-term Debt	107,000	-	107,000
Proceeds from Sale of Assets	500,000	-	500,000
Payments on Long-term Note Receivable	24,271	-	24,271
Transfer from (to) Municipal Aid Fund	47,280	(47,280)	-
Net Other Financing Sources (Uses)	<u>678,551</u>	<u>(47,280)</u>	<u>631,271</u>
Excess of Revenues and Other client (Under) Expenditures and Other Uses	440,227	(6,957)	433,270
Fund Balances, July 1, 2014	<u>852,553</u>	<u>87,409</u>	<u>939,962</u>
Fund Balances, June 30, 2015	<u>\$ 1,292,780</u>	<u>\$ 80,452</u>	<u>\$ 1,373,232</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, 2015

Net change in fund balance- total governmental funds \$ 433,270
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	216,664
Amortization and depreciation	(258,128)
Net disposal of assets	(777,246)

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	260,028
Proceeds of debt issued	(107,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	(2,332)
------------------------------	---------

Certain long term receivables are not available for the payment of current expenditures and therefore are not reported in the governmental funds. Payments on these receivables are recorded as revenue in the governmental funds and reduction of the receivable in the statement of net position.

	(24,271)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount related to the net pension liability.

	<u>13,475</u>
--	---------------

Change of Net Position of Governmental Activities \$ (245,540)

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2015

Assets	Water and Sewer Utility
Current Assets	
Cash and Cash Equivalents	\$ 407,327
Restricted Cash	108,689
Cetificates of Deposit	145,174
Accounts Receivables	750,093
Prepaid Expenses	6,804
Total Current Assets	<u>1,418,087</u>
Non-current Assets	
Capital Assets	
Water and Sewer System	16,530,737
Accumulated Depreciation	(7,456,163)
Sewer Bond Sinking Fund	39,300
Due from Other Funds	287,675
Total Non-current Assets	<u>9,401,549</u>
Total Assets	<u>10,819,636</u>
Deferred Outflows of Resources	
Pension Contributions - Current Year	<u>40,165</u>
Total Assets and Deferred Outflows	<u>\$ 10,859,801</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 578,827
Accrued Expenses	17,695
Customer Deposits	49,775
Bonds and Notes Payable	
Due Within One Year	<u>110,401</u>
Total Current Liabilities	<u>756,698</u>
Non-current Liabilities	
Accrued Compensated Absenses	4,727
Bonds and Notes Payable	
Due in More Than One Year	5,417,994
Due to Other Funds	625,001
Net Pension Liability	485,175
Total Non-current Liabilities	<u>6,532,897</u>
Total Liabilities	<u>7,289,595</u>
Deferred Inflows of Resources	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>\$ 43,196</u>

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2015

Net Position	Water and Sewer Utility
Invested in Capital Assets, Net of Related Debt	\$ 3,546,179
Restricted	147,989
Unrestricted	<u>(167,158)</u>
Total Net Position	<u>3,527,010</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 10,859,801</u></u>

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Position - Proprietary Fund
For the Year Ended June 30, 2015

Water and
Sewer
Utility

Operating Revenues

Sewer Service	\$	363,180
Water Service		788,436
Water Meter Connection		13,525
Grants - Intergovernmental		2,248,256
Total Operating Revenues		<u>3,413,397</u>

Operating Expenses

Salaries and Benefit Expenses		517,760
Contractual		81,920
Materials and Supplies		86,255
Repairs and Maintenance		99,033
Utilities		127,757
Other Expenses		130,915
Total Operating and Maintenance Expenses		<u>1,043,640</u>

Operating Income Before Depreciation and Amortization 2,369,757

Depreciation and Amortization (370,972)

Operating Income 1,998,785

Non - Operating Revenues (Expenses)

Interest Income		1,876
Other Income		18,445
Gain on debt settlement (see Note M)		101,521
Interest Expense		<u>(220,800)</u>
Total Non - Operating Income (Expenses)		<u>(98,958)</u>

Change in Net Position 1,899,827

Net Position, July 1, 2014, as previously presented 2,127,514

Adjustments to Opening Net Position (Note L) (500,331)

Net Position, July 1, 2014, as restated 1,627,183

Net Position, June 30, 2015 \$ 3,527,010

City of Greensburg, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Water and
Sewer
Utility

Cash Flow from Operating Activities:

Cash Received from Customers	\$ 1,165,141
Cash Received from Other Governments	1,681,811
Cash Payments made to Suppliers, Employees and Professionals	<u>(660,276)</u>
Net Cash Provided by Operating Activities	<u>2,186,676</u>

Cash Flows from Non-Capital and Related Financing Activities:

Interfund Activity	(70,616)
Other Income	18,445
Customer Deposits (net)	<u>(235)</u>
Net Cash Used by Non-Capital and Related Financing Activities	<u>(52,406)</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from Long-term Debt	4,664,813
Payments on Long-term Debt	(2,521,138)
Transfers from Water Bond Sinking Fund	205,379
Transfers to Sewer Bond Sinking Fund	(39,300)
Principal Paid on Note Payable	(24,271)
Interest Paid on Notes and Bonds	(220,800)
Gain on debt settlement	101,521
Additions of Capital Assets	<u>(4,118,054)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,951,850)</u>

Cash Flows from Investing Activities

Interest on Certificates of Deposits	1,876
Proceeds from Certificates of Deposits	<u>110,718</u>
Net Cash Provided by Investing Activities	<u>112,594</u>

Net Increase / Decrease in Cash and Cash Equivalents 295,014

Cash and Cash Equivalents June 30, 2014 221,002

Cash and Cash Equivalents June 30, 2015 \$ 516,016

Cash and Cash Equivalents	\$ 407,327
Restricted Cash	108,689
Total Cash	<u>\$ 516,016</u>

City of Greensburg, Kentucky
Statement of Cash Flows - Continued
Proprietary Fund
For the Year Ended June 30, 2015

	Water and Sewer <u>Utility</u>
Reconciliation of Operating Profit to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 1,998,785
Adjustments to reconcile operating profit to net cash provided by operating activities	
Depreciation	366,878
Amortization	4,094
Changes In:	
Accounts Receivables	(569,177)
Prepaid Expenses	5,610
Accounts Payable	379,165
Accrued Expenses	15,323
Accrued Compensated Absences	(1,876)
Net Pension Liability	(12,126)
Net Cash Provided by Operating Activities	<u>\$ 2,186,676</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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.

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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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.

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

City of Greensburg, Kentucky
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June 30, 2015

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.

Fund Balance

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

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

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

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

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

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

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council. It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

General Fund

The General Fund has unassigned fund balance of \$1,286,115 as of June 30, 2015. Prepaid expenses of \$6,665 are considered non-spendable.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$80,452 that are set aside for City road repairs.

Component Units

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

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures are based on cash receipts and expenditures. Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For the year ended June 30, 2015, appropriations exceeded expenditures in the general fund by \$440,227.

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.

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 related to billed services to customers amounts to approximately at June 30, 2015. Proprietary fund receivables also includes \$566,445 of grant receivables due from Department of Rural Development related the reimbursement of construction and engineering cost related to the new water treatment plant project.

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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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.

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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Other Long-Term Assets

Other long-term assets primarily included sinking fund deposits held by third parties and restricted for future debt service. \$51,812 is related to governmental activities and \$39,300 is related to business-type activities.

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.

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>
* Due date for payment	Upon receipt
* 2% discount applies	To November 30
* Face value payment period	To December 31
* Past due date, 10% penalty	January 1
* 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, 2015

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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, 2015, 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, 2015. The categories of credit risk are defined as follows:

- (1) Insured or collateralized with securities held by the government or its agent in the government's name.
- (2) Uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
- (3) 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		
Savings and time deposits	\$ 408,739	\$ 78,043	\$ -	\$ 486,782	\$ 486,782
Demand Deposits	291,444	1,298,832		1,590,276	976,064
Total	<u>\$ 700,183</u>	<u>\$ 1,376,875</u>	<u>-</u>	<u>\$ 2,077,058</u>	<u>\$ 1,462,846</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, 2015

Note C – Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

Capital Asset Class	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Land	529,034	-	(210,000)	319,034
Buildings	3,604,348	14,891	(808,213)	2,811,026
Equipment	1,611,165	143,328	-	1,754,493
Furniture	25,355	823	-	26,178
Software	27,619	-	-	27,619
Vehicles	397,539	57,622	-	455,161
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Total Capital Assets	<u>7,947,238</u>	<u>216,664</u>	<u>(1,018,213)</u>	<u>7,145,689</u>
Less Accumulated Depreciation:				
Buildings	(705,202)	(72,350)	240,966	(536,586)
Equipment	(252,284)	(101,437)	-	(353,721)
Furniture	(25,355)	(165)	-	(25,520)
Software	(27,619)	-	-	(27,619)
Vehicles	(298,138)	(49,602)	-	(347,740)
Streetscape	(413,762)	(31,351)	-	(445,113)
Connector Road	(38,676)	(3,223)	-	(41,899)
Total accumulated depreciation	<u>(1,761,036)</u>	<u>(258,128)</u>	<u>240,966</u>	<u>(1,778,198)</u>
Total capital assets, net	<u>6,186,202</u>	<u>(41,464)</u>	<u>(777,247)</u>	<u>5,367,491</u>
Business-Type Activities:				
Land	145,450	-	-	145,450
Buildings	77,731	-	-	77,731
Equipment	435,980	12,476	-	448,456
Sewer System	5,644,371	-	-	5,644,371
Vehicles	124,527	-	-	124,527
Water System	5,984,624	4,105,578	-	10,090,202
Total cost	<u>12,412,683</u>	<u>4,118,054</u>	<u>-</u>	<u>16,530,737</u>
Accumulated depreciation:				
Buildings	(76,531)	(600)	-	(77,131)
Equipment	(422,167)	(6,994)	-	(429,161)
Sewer System	(3,538,096)	(198,422)	-	(3,736,518)
Vehicles	(105,205)	(5,450)	-	(110,655)
Water System	(2,947,286)	(155,412)	-	(3,102,698)
Total accumulated depreciation	<u>(7,089,285)</u>	<u>(366,878)</u>	<u>-</u>	<u>(7,456,163)</u>
Total capital assets, net	<u>\$ 5,323,398</u>	<u>\$ 3,751,176</u>	<u>\$ -</u>	<u>\$ 9,074,574</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Note D – Receivables

As of June 30, 2015, the Receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
AR- Chamber of Commerce	\$ 367	\$ -
AR- Click it or Ticket Grant	584	-
AR- Code Enforcement Revenue	50	-
AR- COPS Grant	10,751	-
AR- Economic Development Support	1,563	-
AR- Delinquent Property Taxes	15,842	-
AR- Emergency 911	83,847	-
AR- Fire Dept.	500	-
AR- Franchise Fees	26,771	-
AR- Insurance Premium Tax	51,504	-
AR- KLEFPF	1,170	-
AR- Law Enforcement Revenue	2,099	-
AR- Licenses	850	-
AR- Other	6,875	648
AR- Police Drug fund Account	2,000	-
AR- Property Tax Revenue	3,866	-
AR- Rental income	1,275	-
AR- Stone Fort, Inc.	2,425	-
AR-Net Profits Tax	834	-
AR-Occupational Taxes	112,828	-
AR-Vehicle Taxes	1,315	-
Allowance for Doubtful Accounts	(10,000)	-
AR- Rural Development Grant	-	566,445
AR- Utility Service Customers	-	183,000
	<u>\$ 317,316</u>	<u>\$ 750,093</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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, 2015, 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.	28,691	15,661
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.	120,000	-
Note payable with bank original issue amount \$60,000; dated October 29, 2014; secured by police vehicles; interest rate is 3.0%; with final maturity date October 29, 2019	53,924	12,503
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	370,858	21,503
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 July 2015	20,221	20,221
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>1,251,667</u>	<u>80,000</u>
Total Notes Payable and Fixed Rate Swap Lease	<u>\$1,845,361</u>	<u>\$149,888</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Business-type Activities

As of June 30, 2015, the long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

	Balance	Current
Kentucky Infrastructure Authority (KIA), Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%.	\$ 75,699	\$ 8,162
General Obligation Lease Agreement, original issue amount \$1,310,000; dated November 20, 2014; due February 1, 2032, Variable interest rate, secured by real property	1,261,539	83,622
United States Department of Agriculture (USDA) Rural Development, original issue \$2,616,000 due January 1, 2054, interest @ 2.00%, secured by Revenue bonds; Interest only until January 1, 2017	2,616,000	-
United States Department of Agriculture (USDA) Rural Development, original issue \$455,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds; Interest only until January 1, 2017	455,000	-
United States Department of Agriculture (USDA) Rural Development, original issue \$200,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds; Interest only until January 1, 2017	200,000	-
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	422,400	6,200
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	62,757	4,417
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	435,000	8,000
 Total Bonds and Notes Payable	 \$ 5,528,395	 \$ 110,401

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2015:

General Government Activities	June 30, 2014	Additions	Reductions	June 30, 2015
\$60,000, Note with bank, due Oct. 29, 2019, interest @ 3.00%, secured by police vehicles	\$ -	\$ 60,000	\$ (6,076)	\$ 53,924
\$75,236, Note with bank, due February 21, 2017, 3.25% interest annual interest, Secured by police vehicles (3)	42,856	-	(14,165)	28,691
\$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	160,000	-	(40,000)	120,000
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 July 2015	75,261	47,000	(102,040)	20,221
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	-	(20,664)	370,858
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	1,328,750	-	(77,083)	1,251,667
	<u>\$ 1,998,389</u>	<u>\$ 107,000</u>	<u>\$ (260,028)</u>	<u>\$ 1,845,361</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Business-type Activities	June 30, 2014	Additions	Reductions	June 30, 2015
KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%	\$ -	\$ 83,813	\$ (8,114)	\$ 75,699
General Obligation Lease Agreement, original issue amount \$1,310,000; dated November 20, 2014; due February 1, 2032, Variable interest rate, secured by real property	-	1,310,000	(48,461)	1,261,539
United States Department of Agriculture (USDA) Rural Development, original issue \$2,616,000 due January 1, 2054, interest @ 2.00%, secured by Revenue bonds	-	2,616,000	-	2,616,000
United States Department of Agriculture (USDA) Rural Development, original issue \$455,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds	-	455,000	-	455,000
United States Department of Agriculture (USDA) Rural Development, original issue \$200,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds	-	200,000	-	200,000
United States Department of Agriculture (USDA) Rural Development Revenue Bonds 1993 Series; maturing January 1, 2031; interest@ 5.00%	1,239,000	-	(1,239,000)	-
1989 F Kentucky Infrastructure Authority (KIA) Revenue Bonds, original issue \$542,486; maturing through January 1, 2016, interest variable	330,000	-	(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	428,400	-	(6,000)	422,400
Kentucky League of Cities Long-term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured by City Revenues	67,798	-	(5,041)	62,757
United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured	442,500	-	(7,500)	435,000
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	(4,105)	-	4,094	(11)
	<u>\$ 3,380,161</u>	<u>4,664,813</u>	<u>(2,516,590)</u>	<u>5,528,384</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental and business-type activities, as of June 30, 2015 are as follows:

General Government Activity

	Bank Loan	KLC Loan	Bank Loan	Bank Loan	Bank Loan	Loan #	
	7100419501	Series 2002A	7100364988	3087557	3084264	Ky Bond Corp.	Total
2016	12,996	5,767	16,364	35,910	20,531	126,601	218,170
2017	12,996	24,831	13,637	35,910	-	124,779	212,153
2018	12,996	28,684	-	35,910	-	124,263	201,853
2019	12,996	27,517	-	35,910	-	124,512	200,935
2020	3,250	26,352	-	35,910	-	123,832	189,345
2021-2025	-	25,106	-	179,551	-	629,638	834,295
2026-2030	-	-	-	119,719	-	376,709	496,428
Total	55,233	138,257	30,001	478,820	20,531	1,630,334	2,353,176
Current	12,996	5,767	16,364	35,910	20,531	126,601	218,169
Long-term	42,237	132,490	13,637	442,910	-	1,503,733	2,135,007

Note) Table above includes principal and interest.

Business Type Activity

	KIA Loan	KBC Sewer Bond	USDA Bond AR-1	USDA Bond BR-1	USDA Bond CR-1	USDA RD 91-05	KLC Note	USDA RD 92-08	Total
2016	8,862	123,596	52,320	12,512	5,500	22,990	7,345	17,121	250,246
2017	8,846	102,209	98,939	19,450	8,550	22,990	7,345	17,121	285,450
2018	8,829	100,747	98,939	19,450	8,550	22,990	7,345	17,121	283,971
2019	8,812	101,368	98,939	19,450	8,550	22,990	7,345	17,121	284,575
2020	8,795	102,775	98,939	19,450	8,550	22,990	7,345	17,121	285,965
2021-2025	35,015	505,200	494,693	97,251	42,748	114,952	36,725	85,605	1,412,189
2026-2030	-	509,203	494,693	97,251	42,748	114,952	9,793	85,605	1,354,245
2031-2035	-	98,169	494,693	97,251	42,748	114,952	-	85,605	933,418
2036-2040	-	-	494,693	97,251	42,748	114,952	-	85,605	835,249
2041-2045	-	-	494,693	97,251	42,748	114,952	-	85,605	835,249
2046-2050	-	-	494,693	97,251	42,748	68,961	-	85,605	789,258
2051-2055	-	-	393,814	77,801	33,965	-	-	17,121	522,701
Total	79,159	1,643,267	3,810,048	751,619	330,153	758,671	83,243	616,356	8,072,516
Current	8,862	123,596	52,320	12,512	5,500	22,990	7,345	17,121	250,246
Long-term	70,297	1,519,671	3,757,728	739,107	324,653	735,681	75,898	599,235	7,822,270

Note) Table above includes principal and interest.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	149,888	68,592	218,480	110,401	139,845	250,246
2017	148,036	64,117	212,153	148,228	137,223	285,451
2018	143,126	58,726	201,852	149,778	134,194	283,972
2019	147,116	53,819	200,935	154,322	130,254	284,576
2020	140,453	48,891	189,344	158,804	127,163	285,967
2021-2025	660,652	173,642	834,294	844,179	568,013	1,412,192
2026-2030	456,090	40,339	496,429	905,750	448,498	1,354,248
2031-2035			-	608,833	324,585	933,418
2036-2040			-	582,500	252,751	835,251
2041-2045			-	660,400	174,851	835,251
2046-2050			-	702,200	85,460	787,660
2051-2055			-	503,000	21,284	524,284
2056-2060			-			-
Totals	<u>\$ 1,845,361</u>	<u>\$ 508,126</u>	<u>\$ 2,353,488</u>	<u>\$ 5,528,395</u>	<u>\$ 2,544,121</u>	<u>\$ 8,072,516</u>

Note F- Compliance with Bond Ordinance

The USDA Rural Development requires the City to create and maintain separate funds or accounts for each USDA bond.

Depreciation – This account is to receive funds monthly from the remaining revenues of the financed system. At June 30, 2015, the account was to receive \$200 each month with a reserve cap of \$24,000 for Water Bond 91-05 and \$150 each month with a reserve cap of \$18,000 for Sewer Bond 92-08. 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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Note H- Related Parties Transactions

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

Note I - Economic Dependency

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

Note J - Retirement Plan

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions- An Amendment of GASB Statement No. 27. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. In addition, it requires the liability of the employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this Statement requires additional changes to the Required Supplementary Information, among other extensive changes. This Statement is effective for the fiscal year 2015 and the City implemented in fiscal year 2015.

Plan Description

The City contributes to the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. 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.

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

For the fiscal year ended June 30, 2015 the City's covered payroll for non-hazardous positions was \$848,400.

Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2015.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

Contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	17.67%
Hazardous	8.0%-9.0%	34.31%

The City's contribution for the fiscal year ended June 30, 2015 amounted \$157,854, of which \$125,154 was contributed by the City and \$32,700 by the City's employees.

Membership in CERS consisted of the following at June 30, 2014:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	46,112	6,006	52,118
Inactive memberships	70,231	2,038	72,269
Active plan members	<u>82,494</u>	<u>9,189</u>	<u>91,683</u>
	<u>198,837</u>	<u>17,233</u>	<u>216,070</u>

Number of participating employers	<u>1,137</u>
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CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$1,024,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.032 percent for non-hazardous.

For the year ended June 30, 2015, the City recognized pension expense of \$59,200. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	114,000
Amortization of deferred inflows from net difference between projected and actual earnings on Plan investments (5-years)	-	(22,800)
City contributions subsequent to the measurement date	84,801	-
Total	<u>\$ 84,801</u>	<u>\$ 91,200</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

The \$84,801 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$(22,800)
2017	(22,800)
2018	(22,800)
2019	(22,800)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	%
Domestic equity	30	8.45	%
International equity	22	8.85	
Emerging Market Equity	5	10.5	
Private equity	7	11.25	
Real estate	5	4.5	
Core US Fixed Income	10	5.25	
High yield US fixed income	5	7.25	
Non US fixed income	5	5.5	
TIPS	5	5.9	
Commodities	5	7.75	
Cash	1	3.25	
Total	<u>100</u>		%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	6.75%	\$ 1,348,000
Current discount rate	7.75%	\$ 1,024,000
1% increase	8.75%	\$ 738,000

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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, 2015 was \$ 36,000 year.

Note L – Prior Period Adjustments

Government-wide net assets decreased by \$1,056,355 as a result of adjustments to the net pension liability. The adjustment impacted net assets of governmental activities by \$556,024 and business-type activities by \$500,331.

As described in Note J regarding the City's participation in the County Employee's Retirement Plan, the Government Accounting Standards Board's Statement No. 68 became effective for fiscal year 2015. The new standard required the City to report its proportionate share of the net pension liability and related deferred outflows or resources and deferred inflows of resources. That amount was calculated to be \$556,024 for governmental activities and \$500,331 for business-type activities as of June 30, 2014.

Note M – Gain on Debt Settlement

During fiscal year 2015, the City's 1989 water and sewer revenue bonds with Kentucky Infrastructure Authority (KIA) with original issue of \$542,486 were paid off in full. The City funded an escrow account maintained by KIA which was used to make the final payments of the outstanding debt. KIA funded a shortage in the escrow balance in 2015 of \$101,521 and the City accordingly recorded a gain of debt settlement.

Note N- Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 15, 2016, 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, 2015, have not been evaluated by the City.

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, General Government Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual Amounts	Final Budget Variance
Revenues				
Franchise Fees	\$ 125,000	\$ 125,000	\$ 152,945	\$ 27,945
Insurance Premium Tax	265,000	265,000	250,255	(14,745)
Occupational Tax	489,000	489,000	432,883	(56,117)
Property Tax	208,000	208,000	220,265	12,265
Rent Income	90,000	90,000	102,232	12,232
Other Revenues	361,625	361,625	119,801	(241,824)
Intergovernmental Revenues	4,000	4,000	50,081	46,081
Grant Revenues	41,000	41,000	165,787	124,787
Interest Income	3,000	3,000	3,169	169
Transfers In/Out	66,800	66,800	47,280	(19,520)
Sale Proceeds	-	-	500,000	500,000
Loan Proceeds	-	-	107,000	107,000
Total Revenues	1,653,425	1,653,425	2,151,698	498,273
Appropriations				
Administration	470,560	470,560	370,757	99,803
Debt Service	-	-	300,749	(300,749)
Community Center	-	-	13,893	(13,893)
Police	420,021	420,021	441,984	(21,963)
Fire	57,690	57,690	35,472	22,218
City Maintenance	369,615	369,615	300,502	69,113
HRMEP	100,115	100,115	68,933	31,182
Paddle Trail	15,600	15,600	33,723	(18,123)
Grant Expenses	177,675	177,675	145,458	32,217
Total Appropriations	1,611,276	1,611,276	1,711,471	(100,195)
Excess of Resources Over(Under) Appropriations	42,149	42,149	440,227	398,078
Fund Balance June 30, 2014	897,297	897,297	852,553	44,744
Fund Balance June 30, 2015	\$939,446	\$939,446	\$1,292,780	\$442,822

See notes to required supplementary information.

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Municipal Aid Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final Budget <u>Variance</u>
Revenues				
Intergovernmental Revenue	\$ 66,730	\$ 66,730	\$ 56,974	\$ (9,756)
Interest Income	70	70	67	(3)
Total Revenues	<u>66,800</u>	<u>66,800</u>	<u>57,041</u>	<u>(9,759)</u>
Appropriations				
Streets	-	-	16,718	(16,718)
Transfers Out	66,800	66,800	47,280	19,520
Total Appropriations	<u>66,800</u>	<u>66,800</u>	<u>63,998</u>	<u>2,802</u>
Excess of Resources Over(Under) Appropriations	-	-	(6,957)	(6,957)
Fund Balance July 1, 2014	39,690	39,690	87,408	47,718
Fund Balance June 30, 2015	<u>\$ 39,690</u>	<u>\$ 39,690</u>	<u>\$ 80,451</u>	<u>\$ 40,761</u>

See notes to required supplementary information.

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Water and Sewer Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final Budget <u>Variance</u>
Revenues				
Charges for Service, Sewer	\$ 423,000	\$ 423,000	\$ 363,180	\$ (59,820)
Charges for Service, Water	903,900	903,900	788,436	(115,464)
Other Revenues	-	-	18,447	18,447
Health Insurance Reimbursement	-	-	-	-
Water Connection Fees	-	-	13,525	13,525
Interest Income	-	-	1,876	1,876
Grant Revenues	7,694,000	7,694,000	2,248,256	(5,445,744)
Sale Proceeds	-	-	-	-
Loan Proceeds	-	-	4,664,813	4,664,813
Total Revenues	9,020,900	9,020,900	8,098,533	(922,367)
Appropriations				
Capital Outlay & Grant Expenses	7,694,000	7,694,000	4,118,054	3,575,946
Debt Retirement	286,048	286,048	2,749,954	(2,463,906)
Water Operations	579,300	579,300	557,398	21,902
Sewer Operations	426,060	426,060	498,368	(72,308)
Total Appropriations	8,985,408	8,985,408	7,923,774	1,061,634
Transfers Out				-
Excess of Resources Over(Under) Appropriations	35,492	35,492	174,759	139,267
Fund Balance July 1, 2014	1,736,715	1,736,715	870,722	(787,917)
Fund Balance June 30, 2015	\$ 1,772,207	\$ 1,772,207	\$ 1,045,481	\$ (648,650)

See notes to required supplementary information.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

**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. The following reconciliation is related to differences between the budgetary basis and GAAP for the Budgetary Comparison Schedule – Water and Sewer Fund. No such reconciliation was needed for the General Fund or Municipal Road Fund

Net Changes In Fund Balances- Enterprise Funds

Change in Net Assets, Budget Basis	\$174,759
Reconciling amounts:	
(Increase)/Decrease in long-term debt	(2,119,858)
Capitalized grant expenses	4,118,054
Gain on debt settlement	101,521
Other reconciling items	(3,677)
Depreciation and amortization, Water	<u>(370,972)</u>
Change in Net Position, GAAP Basis	<u>\$1,899,827</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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, 2015 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2015 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.)

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2015

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	2015
Very Good	60%
Good	30%
Fair	10%

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

<u>Fiscal Year Ended June 30,</u>	<u>Expenditures</u>	<u>Budgeted</u>
2011	\$49,064	\$40,050
2012	\$26,927	\$50,000
2013	\$23,136	\$55,000
2014	\$27,175	\$23,136
2015	\$47,065	\$50,000

City of Greensburg, Kentucky
Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System

	<u>June 30, 2015</u> <u>Non-Hazardous</u>
City's proportion of the net pension liability	0.031574%
City's proportionate share of the net pension liability	\$ 1,024,355
City's covered-employee payroll	\$ 848,400
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.74%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Schedule of the City's Contributions
County Employees' Retirement System
For the Year Ended
June 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 157,854
Contributions in relation to the contractually required contribution	<u>(157,854)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 848,400
Contributions as a percentage of covered-employee payroll	18.61%

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2015

Expenditures	General Activities	Municipal Street Activities	Totals
Advertising	\$ 4,296	\$ -	\$ 4,296
Building Inspection Fees/Permit	152	-	152
CEP Testing per KRS	103	-	103
Code Enforcement Ordinances	1,268	-	1,268
Community Center Programming	444	-	444
Community Dev. - Director's Exp	17,322	-	17,322
Community Programs	13,548	-	13,548
Computer/Software	4,325	-	4,325
Contractual Services	12,033	-	12,033
Credit Card Fees	668	-	668
Debt Service	40,722	-	40,722
Depreciation expenses	258,129	-	258,129
Dues & Subscriptions	1,384	-	1,384
Fees	6,051	-	6,051
Fireman's Fees	9,710	-	9,710
Grant Expenses	5,546	-	5,546
Greensburg 20/20	16,500	-	16,500
Insurance	70,519	-	70,519
Interlocal Agreement	35,000	-	35,000
Loss on Sale of Assets	277,246	-	277,246
Mayor & City Council	6,194	-	6,194
Minor Equipment	4,573	-	4,573
Other Expenses	4,788	-	4,788
Park	2,458	-	2,458
Paver-Bench-Lightpole Expenses	1,794	-	1,794
Personnel	416,345	-	416,345
Personnel- Insurance Benefits	129,799	-	129,799
Personnel Taxes - FICA/MC	30,058	-	30,058
Planning and Zoning	6,036	-	6,036
Postage	3,285	-	3,285
Professional Fees	31,975	-	31,975
Repairs & Maintenance	72,507	-	72,507
Streets	31,700	16,718	48,418
Supplies	30,347	-	30,347
Transfers Out	-	47,280	47,280
Travel & Training	6,498	-	6,498
Unemployment	2,491	-	2,491
Uniforms	3,860	-	3,860
Utilities	191,856	-	191,856
Web Site	7,480	-	7,480
Total Expenditures	\$ 1,759,010	\$ 63,998	\$ 1,823,008

**City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2015**

Revenues	General Activities	Municipal Street Activities	Totals
Code Enforcement Revenue	\$ 456	\$ -	\$ 456
Community Center Activity Fee	1,890	-	1,890
Economic Development Support	4,688	-	4,688
Franchise Fees	152,945	-	152,945
Grant Income	165,787	-	165,787
Insurance Premium Taxes	250,255	-	250,255
Insurance Proceeds	11,336	-	11,336
Interest Income	3,169	67	3,236
Intergovernmental revenue	2,166	56,974	59,140
KLEFPF	15,515	-	15,515
KRS 70.290 Officer Reimbursement	14,568	-	14,568
Law Enforcement revenue	9,582	-	9,582
Licenses/permits Income	11,553	-	11,553
Occupational Tax Revenue	397,310	-	397,310
Occupational taxes- Net Profits	35,573	-	35,573
Other Income	15,087	-	15,087
Paddle Trail/Cabins Income	19,065	-	19,065
Pavers-Benches-Lightpole Income	2,950	-	2,950
Police Dept. Collections	835	-	835
Program Support Greensburg 2020	15,898	-	15,898
Property Tax Revenue	199,541	-	199,541
Rental Income	102,232	-	102,232
School Resource Officer	2,172	-	2,172
State Aid- Fire Dept.	8,250	-	8,250
Transfer from LGEA	6,800	-	6,800
Transfer from Municipal Aid	40,480	-	40,480
Senior Center Utility Reimbursement	9,600	-	9,600
Vehicle taxes	20,724	-	20,724
Total Revenues	<u>1,520,427</u>	<u>57,041</u>	<u>1,577,468</u>
 Net Revenues and Grant Revenue Over Expenditures and Transfers	 <u>\$ (238,583)</u>	 <u>\$ (6,957)</u>	 <u>\$ (245,540)</u>

City of Greensburg, Kentucky
 Schedule of Sewer and Water Service Activities
 For the Year Ended June 30, 2015

Operating Expenditures	Sewer and Water Service <u>Activities</u>
Advertising	\$ 649
Chemicals	63,788
Computer/Software	8,013
Debt Service	220,800
Depreciation	366,878
Extinguishment Loss	4,094
Insurance	55,579
Licenses	172
Fees	48,206
Other	6,086
Personnel	359,031
Personnel Benefits	133,705
Personnel Taxes	25,024
Postage	9,001
Professional Fees	26,341
Rent	36,000
Repairs & Maintenance	96,031
Sludge disposal	3,002
Supplies	22,467
Testing	12,951
Training and Travel	7,896
Uniforms Allowance	1,941
Utilities	110,661
Water purchased	17,096
Total Operating Expenditures	<u>1,635,412</u>
Revenues	
Fees- Water	788,436
Fees- Sewer	363,180
Grant Income	2,248,256
Interest Income	1,876
Gain on Settlement of Debt	101,521
Other Income	18,445
Water Meter Connection Income	13,525
Total Revenues and Grant	<u>3,535,239</u>
Net Expenditures Over Revenues	<u>\$ 1,899,827</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, 2015, 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 15, 2016.

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. [2015-1]

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 15, 2016

**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, 2015. 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, 2015.

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 15, 2016

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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:

	<u>CFDA #</u>
Rural Development – Water and Waste Disposal System for Rural Communities	10.760
Economic Development Administration Grant	11.307
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. The City of Greenburg, Kentucky did not qualify to be a low risk auditee.

City of Greenburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

B. Financial Statement Findings

2015-1

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:

Several material adjustments were identified subsequent to start of the audit and were necessary to prepare the financial statements in conformity with generally accepted accounting principles including adjustments to grants receivable, debt, fixed assets, prepaids, accrued liabilities and schedule of federal awards. This issue was also reported as a deficiency in internal controls in the City's 2014 audit.

Effect:

Certain account balances within the City's 2015 financial statements were misstated.

Recommendation:

We recommend the City formalize its policy and procedures to ensure that all City accounts are reconciled in a timely manner and prior to start of the audit of the financial statements. In addition, we recommend the City formalize its policy and procedures to ensure that the City's financial statements are prepared in a timely manner and prior to start of the audit of the financial statements.

Views of responsible officials and planned corrective actions:

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

C. Major Federal Award Findings and Questioned Costs

No matters were reported.

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

D. Schedule of Prior Year Audit Findings
None

City of Greensburg, Kentucky
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

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 Government)	14.228		4/30/12 - 12/31/15	1,000,000	\$ 571,690
<u>U.S. Department of Commerce</u>					
Economic Development Administration Grant	11.307		4/30/12 - 12/31/15	2,000,000	1,063,725
<u>U.S. Department of Justice</u>					
Community Oriented Policing Services (COPS)	16.710	KY04401	9/2/11 - 8/31/14	144,054	43,286
<u>U.S. Department of Agriculture</u>					
Rural Development Grant - Water and Waste Disposal Sys. For Rural Communities	10.760			1,423,000	612,841
Rural Development Loan - Water and Waste Disposal Sys. For Rural Communities	10.760			3,271,000	2,394,432
TOTAL				\$ 4,685,974	

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.