



City of Greensburg, Kentucky

Audit of the Financial Statements

As of June 30, 2016

And For the Year Then Ended

With Report of Independent Auditor

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December 19, 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, 2016, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The AFR is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes Management's Discussion and Analysis, the Report of Independent Auditor, the basic financial statements, and the required supplementary information.

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

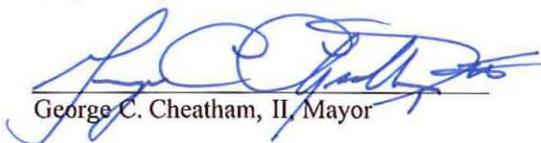
For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding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

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

Baldwin CPA's, PLLC, Certified Public Accountants, audited the financial statements and the related notes of the City of Greensburg, Kentucky. As stated in the auditor's report, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

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

Respectively submitted:


George C. Cheatham, II, Mayor


Janie Casey, City Clerk/ Treasurer

City of Greensburg, Kentucky
Governmental Directory

City Hall
110 West Court St.
Greensburg, KY 42743

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

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

City of Greensburg Officials

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	George C. "Lisle" Cheatham, II	December 31, 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	



**Financial Audit
As of the Year Ended
June 30, 2016**

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

The 2016 fiscal year was a challenge and a lesson in the struggles rural communities all across Kentucky and America are facing. While there were tough decisions that had to be made in order to preserve the financial health of our community and maintain our ability to face these challenges head-on and on our own terms - I am happy to report Greensburg is still facing these challenges on sound financial footing.

While the City was faced with the most significant threat to its long-term financial health since the late 1990's, thanks to the conservative management of the City's General Fund over the past several years, and the elimination or postponement of nearly \$100,000 in budgeted expenses over the year the City was able to weather the financial storm created by the reduced water purchases by the Green-Taylor Water Districts. As indicated above, there were tough decisions that had to be made in order to repay the City's General Fund as required, however much of those tax increases will automatically sunset as Green-Taylor maintains its commitment to the City over the next few years. But it is worth pointing out that Greensburg still maintains an Occupational Tax rate 8.50% lower than the average of the 20 communities around us, a Business Tax rate 38% lower than the average of those same 20 communities. Also, Greensburg's minimum utility bill rate is 17.80% lower than the cities surrounding us and just slightly below the average for a customer using 5,000 kWh per month – *which is roughly the average user.*

However, I want to be clear as to why it is so important that the City must maintain a solid financial footing going forward. In the short-term, just as it is in each of our households and businesses, adequate cash flow must be maintained in order for the City to meet its statutorily required obligations and to keep an adequate rainy day fund available to both meet emergency needs as well as to provide cash on hand to meet expenses for grant projects prior to being reimbursed – *a requirement for most all grant programs.*

If we are to meet these challenges facing our community and overcome them going forward, we must both be willing to invest in ourselves and be willing to recognize the demographics and forces that are at work around us and the consequences of doing nothing. To stick our head in the sand and deny these realities or worse, waste our time and energy blaming someone else for the challenges we face will only condemn our community to the whims of chance and chance never favors the unprepared.

Some of these challenges, to name a few, are an aging population, an outflow of young adults, a declining birth rate (*all-resulting in a declining population base*), the training and retraining of our local workforce to meet the demands of business and industry, and how to attract business and investment into Greensburg and Green County continue to be a top concern and priority. The number one private business sector in our community, health care, continues to face challenges, as an aging population demands more and more specialized care. Like most aging rural communities, we are also starting to see the effects of a misaligned housing market as an older population demands smaller homes and multifamily housing.

According to a study just released by the University of Louisville Kentucky State Data Center, 76 of the State's 120 counties are projected to lose population over the next 25 years. Projections for Green County going forward are not good. Greensburg and Green County are projected to see a decline of 5.84% or 643 persons in the next 10 years and 17.41% or 1,917 people over the next 25 years. 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 - over 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.

If these issues are not deliberately and systematically addressed at a community level the depopulation of our community will be exasperated - resulting in lower property values, fewer employment and business opportunities, reduced public services and/or higher taxes and fees. And with fewer and fewer resources and more and more unfunded mandates flowing down hill from both the federal and state governments, these issues will only be worsened.

Despite the challenges, the 2016 Fiscal year saw several positive developments. The continued investment and development of the Greensburg By-Pass area and the completion 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 continue to provide positive benefits. While delayed, the City's neighborhood redevelopment program holds significant promise for the renewal of some of our town's older neighborhoods and has had a significant level of interest by property owners in those areas targeted. I continue to believe that by investing in ourselves, it makes it much easier for others to invest in us!

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 fourteen years we have seen an over all cut in full-time employment within the City's various departments of nearly 40% from 33 to 20 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 the fixed costs of retirement, health care, insurance, and utilities by restructuring our labor force has gone as far as it can. Again, as has been pointed out for several years, the cushion provided by the implementation of the Occupational & Business License Tax seventeen 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.

2016 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).

Some key financial highlights for the 2016 Fiscal year worth noting are as follows. Despite the revenue issue created by the situation with Green-Taylor Water District, the over all net asset value of the City of Greensburg grew by just over 15% to \$9,190,190 while total liabilities were reduced by \$384,299.

The City's over all debt service level for the General Fund versus 2016 reoccurring income was just 16.84%. And the City's over all debt service level for the Water and Wastewater System (O&M) was 29.41% of the 2016 O&M revenue level and just 24.07% of the 2015 revenue level. As a percentage of Capital Assets, the City's overall debt load was 27.38%, down over 12% from the year previous.

General Fund

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 2016 fiscal year saw a slight decrease of just under \$15,000 versus the 2015 audit year or approximately -1.15%.

While the General Fund is not directly connected in any way to the Water and Wastewater Fund (O&M), as discussed the General Fund did have to provide over \$200,000 in funding to O&M during the 2016 Fiscal year. These funds were booked as a loan and will be paid back to the general fund over the next three years assuming Green-Taylor Water maintains their agreed upon 12 million gallon a month average purchase level. However, in an effort to preserve cash flow for both funds the City delayed filling any of the four positions that went vacant over the year due to injury, retirement and job changes. Two of these positions were in the Public Works, Water and Wastewater departments; one was in the Police Department and the other in Community and Economic Development. Due to these labor savings along with other projects that were either delayed or cut altogether. The General fund and Municipal Aid budgets finished the year \$97,850 below budgeted expenditures. Through these temporary cash saving efforts we were able to preserve the City's working capital, which is just as important to the City of Greensburg as it is to any business or household.

The City continues to maintain a solid base of working capital. The overall cash and savings on hand for CEF stood to just over \$600,000. This is a decrease of approximately \$200,000 over last year's closing balance. This puts the net asset value of the city's general government fund at just over \$4.32 million – down \$73,944 from 2015.

Water and Wastewater Department (O&M)

As for Operations & Maintenance as discussed above, the 2016-year was not as positive. Revenue for the year was down \$232,562 or 29.17%. After adjusting for depreciation and grant activity the Water and Wastewater Department (O&M) saw a loss of just over \$182,000 in the 2016 fiscal year.

However, on a positive note as projected in our project outline for the "New Water Treatment Plant", maintenance and repair costs were down \$64,538 from 2015, which contributed to a reduction in overall operating expenses of \$111,283 or 9.7%, excluding depreciation from the 2015 level. Also, as projected in our project outline for the "New Water Treatment Plant", labor costs are down over \$45,000 from the 2014 level. These savings coupled with over \$40,000 in annual savings created by paying off a KIA bond in July of 2015 along with over \$10,000 per year in savings created by refinancing the original Wastewater Plant debt issued in 1992, will more than cover the debt payments for the new water plant and actually helped contribute to an over \$20,000 budget reduction for the Water and Wastewater Department in the 2017 Fiscal year. The new facility replaced the old plant, which had reached the end of its life expectancy after over fifty-two (52) years of service to Greensburg and Green County.

Also on a positive financial note, due to the completion of the new plant and those assets being fully recognized on the books of the City's Water and Wastewater System, the net position of the O&M fund increased by \$1,340,054 to over \$4.9 million.

As would be expected based on the circumstances, cash on hand did not fair quite as well. Cash on hand declined by \$296,325 versus the close of the 2015 Fiscal year. However, on closer inspection \$241,919 of that decline was attributable to the timing of grant and loan deposits at the end of the 2015 Fiscal year and the distribution of those funds to the contractors at the start of the 2016 Fiscal year. When taken into consideration actual cash on hand declined by \$54,406.

Conclusion to Financial Highlights

Given the challenging environment the City of Greensburg found itself operating in during the majority of Fiscal 2016, we managed to turn in a solid financial performance – increasing our over all net asset value by \$1,266,110 or 15.97%. Over the past fourteen years, the City of Greensburg has seen its total net asset value increase by over 290% - from just fewer than \$3 million in 2003 to just under \$9.2 million today.

As we have continually warned over the years, as those readers of this report know, 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 continue to 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 our financial statements. Last year was the first year the City of Greensburg was required to carry this liability on our financial books, which resulted in a new negative charge of \$1,024,000 to our balance sheet. For the 2016 Fiscal Year this number grew by \$181,078 or 17.68% to \$1,205,433.

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 pay 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 so 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 improvements to the Greensburg/Green County E-911 system, the proposed Greenway Pedestrian and Bicycle Belt, and the Trail Town and Paddle Trail enhancements. 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 funding, development and construction. We are continuing to make improvements to the Green River Paddle Trail and Cabins. We added a fifth cabin to our inventory during Fiscal 2016 and thanks to a grant through the Kentucky Land and Water Fund we are currently constructing a new multipurpose facility overlooking Green River. The facility will provide an open-air pavilion, bathrooms with showers and a concession/office area.

Also, thanks to funding through the Transportation Alternatives Program (TAP) and the Kentucky Recreational Trails program the first phases of the “Greensburg Greenway Belt” are being designed and construction is scheduled to begin in the spring of 2017. The “Greenway Belt” will provide an opportunity to walk, run or bike our community for exercise and to provide safer pedestrian access throughout the community and downtown.

Also, funding through the Kentucky Recreational Trails program is providing funding to install bathrooms at the Greensburg Fitness and Disk Golf Park located at the site of the old Clark Casual building. And the 1/3-mile fitness trail is scheduled to be paved as part of this project as well.

The first of the City’s new pocket parks is scheduled to get underway this fall at the site of the Old Depot, which was acquired by the City of Greensburg along with the adjacent property stretching towards the Old Greensburg Mill during the 2016 Fiscal year. This project has received an additional jump-start due to a \$5,000 capital injection by the Greensburg Rotary Club and the Greensburg – Green County Industrial Foundation. As mentioned in last years report, the City has 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.

By far the most ambitious project the of City of Greensburg is pursuing is the City’s Greensburg Saves program, a neighborhood redevelopment project designed to provide small low interest loans to distressed properties located in targeted neighborhoods around the community. Through this program, the City hopes to jump start redevelopment of these neighborhoods, improve the City’s housing stock, realign our housing to better fit the demands of an older community while at the same time increasing energy efficiency and property values while at the same time reducing properties causing Code Enforcement issues.

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 as well as providing opportunity for our existing residents.

Conclusion

As of this writing, the current conditions surrounding the world, the nation and the State's economy are continuing to see positive signs following the worst recession in generations. To what degree that will benefit the City of Greensburg will depend on our willingness to do the hard things necessary to compete with our neighbors and the rest of the world in order 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 come together and work with a common vision and purpose. We can either be 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 the 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, 2016

	General Government Activities	Business-Type Activities	Total 2016	Total 2015
Total Assets	\$6,728,946	\$11,097,468	\$17,826,414	\$17,080,907
Deferred Outflows of Resources	118,260	102,881	221,141	84,801
Liabilities				
Current Liabilities	133,170	296,843	430,013	996,318
Long Term Debt	1,695,471	5,417,593	7,113,064	7,113,467
Other Long Term Liabilities	647,416	575,636	1,223,052	1,040,643
Total Liabilities	\$2,476,057	\$6,290,072	\$8,766,129	\$9,150,428
Deferred Inflows of Resources	48,023	43,213	91,236	91,200
Net Position				
Invested in Capital Assets, Net of Debt	3,517,004	5,427,603	8,944,607	7,068,309
Restricted	125,358	143,392	268,750	280,253
Unrestricted	680,764	(703,931)	(23,167)	575,518
Total Net Position	\$4,323,126	\$4,867,064	\$9,190,190	\$7,924,080

City of Greensburg, Kentucky
Management's Discussion and Analysis
(Unaudited)
For the Fiscal Year Then Ended June 30, 2016

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
General Government Activities					
Revenues					
Taxes	\$910,908	\$903,403	\$908,089	\$890,479	\$939,779
Intergovernmental Revenue	42,787	50,081	40,350	72,198	74,953
Franchise Fees	141,056	152,945	142,486	124,817	133,443
Grants	293,924	165,787	373,672	914,975	73,875
Rents	75,225	102,232	104,012	64,667	84,157
Interest Income	1,358	3,169	3,311	6,894	6,828
Other	120,066	95,530	104,965	100,635	66,660
Totals Revenues	\$1,585,324	\$1,473,147	\$1,676,885	\$2,174,665	\$1,379,695
Expenditures					
General Government	\$791,533	\$1,024,388	\$540,870	\$501,144	\$570,470
Public Safety, Police	281,920	388,122	421,194	436,027	479,287
Public Safety, Fire	51,352	39,084	28,395	38,471	99,910
City Maintenance	407,641	301,871	324,643	302,369	270,004
Grant Expenditures	144,187	5,546	3,402	1,212,515	79,206
Totals Expenditures	\$1,676,633	\$1,759,011	\$1,318,504	\$2,490,526	\$1,498,877

City of Greensburg, Kentucky
Management's Discussion and Analysis
(Unaudited)
For the Fiscal Year Then Ended June 30, 2016

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
General Government Activities					
Revenues					
Taxes	57.46%	61.32%	54.15%	40.95%	68.11%
Intergovernmental Revenue	2.70%	3.40%	2.41%	3.32%	5.43%
Franchise Fees	8.90%	10.38%	8.50%	5.74%	9.67%
Grants	18.54%	11.25%	22.28%	42.07%	5.35%
Rents	4.75%	6.94%	6.20%	2.97%	6.10%
Interest Income	0.09%	0.22%	0.20%	0.32%	0.49%
Other Income	7.57%	6.48%	6.26%	4.63%	4.83%
Totals Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditures					
General Government	47.21%	58.24%	41.02%	20.12%	38.06%
Public Safety, Police	16.81%	22.06%	31.94%	17.51%	31.98%
Public Safety, Fire	3.06%	2.22%	2.15%	1.54%	6.67%
City Maintenance	24.31%	17.16%	24.62%	12.14%	18.01%
Grant Expenditures	8.60%	0.32%	0.26%	48.69%	5.28%
Totals Expenditures	100.00%	100.00%	100.00%	100.00%	100.00%

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2016

	2016	2015	2014	2013	2012
Business-type Fund Revenues					
Water Service	\$558,485	\$788,436	\$814,631	\$853,289	\$799,936
Sewer Service	360,569	363,180	353,699	364,516	349,165
Interest Income	865	1,876	2,188	3,833	4,457
Other Service	50,717	31,971	44,130	39,225	63,873
Totals Revenues	\$970,636	\$1,185,463	\$1,214,648	\$1,260,863	\$1,217,431
As a percentage:					
Water Service	57.54%	66.51%	67.07%	67.67%	65.71%
Sewer Service	37.15%	30.64%	29.12%	28.91%	28.68%
Interest Income	0.09%	0.16%	0.18%	0.30%	0.37%
Other Service	5.23%	2.70%	3.63%	3.11%	5.25%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Business-type Fund Expenditures					
Personnel Cost	\$515,210	\$517,761	\$560,780	\$606,052	\$568,192
Occupancy Expenses	169,451	163,757	147,028	132,864	\$114,006
Maintenance and Repairs Expenses	66,991	131,529	80,627	85,353	\$148,172
Interest Expenses	147,925	220,799	161,083	119,917	\$115,779
Other Expenses	253,581	230,595	239,159	187,784	\$259,530
Depreciation and Amortization	413,556	370,972	379,681	381,548	\$376,869
Totals Expenditures	\$1,566,714	\$1,635,413	\$1,568,358	\$1,513,518	\$1,582,548
As a percentage:					
Personnel Cost	32.88%	31.66%	35.76%	40.04%	35.90%
Occupancy Expenses	10.82%	10.01%	9.37%	8.78%	7.20%
Maintenance and Repairs Expenses	4.28%	8.04%	5.14%	5.64%	9.36%
Interest Expenses	9.44%	13.50%	10.27%	7.92%	7.32%
Other Expenses	16.19%	14.10%	15.25%	12.41%	16.40%
Depreciation and Amortization	26.40%	22.68%	24.21%	25.21%	23.81%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2016

Capital Assets at Year End	General Government Activities	Business- Type Activities	Total 2016	Total 2015
Land	\$319,034	\$145,450	\$464,484	\$464,484
Buildings	2,821,026	77,731	2,898,757	2,888,757
Equipment	1,864,896	448,456	2,313,352	2,202,949
Furniture	26,178	-	26,178	26,178
Software	27,619	-	27,619	27,619
Vehicles	455,161	124,526	579,687	579,688
Streetscape	1,591,028	-	1,591,028	1,591,028
Connector Road	161,150	-	161,150	161,150
Sewer System	-	5,644,372	5,644,372	5,644,371
Water System	-	12,274,380	12,274,380	10,090,202
Total Capital Assets	\$7,266,092	\$18,714,915	\$25,981,007	\$23,676,426
Debt Outstanding at Year End				
Bonds Payable	-	\$4,114,200	\$4,114,200	\$4,204,098
Notes Payable	\$1,695,471	1,303,393	2,998,864	3,169,647
Total Debt Outstanding	\$1,695,471	\$5,417,593	\$7,113,064	\$7,373,745
Debt as a % of Capital Assets	23.33%	28.95%	27.38%	31.14%

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, 2016, 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, 2016, 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 3-14, 49-51 and 55-56, 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 57-60 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 68 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 19, 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 CPAs PLLC

Baldwin CPAs, PLLC
December 19, 2016
Richmond, Kentucky

City of Greensburg, Kentucky
Statement of Net Position
As of June 30, 2016

Assets	Governmental Activities	Business-Type Activities	Totals
Cash and Cash Equivalents	\$ 393,376	\$ 115,131	\$ 508,507
Restricted Cash	65,284	104,092	169,376
Certificates of Deposit	147,573	145,642	293,215
Receivables	307,716	386,045	693,761
Prepaid Expenses	4,257	4,510	8,767
Internal Balances, net	542,448	(542,448)	-
Other Long Term Assets	55,817	39,300	95,117
Capital Assets			
General Government	7,266,092	-	7,266,092
Water and Sewer System	-	18,714,915	18,714,915
Accumulated Depreciation	(2,053,617)	(7,869,719)	(9,923,336)
Total Assets	\$ 6,728,946	\$11,097,468	\$ 17,826,414
Deferred Outflows of Resources	\$ 118,260	\$102,881	221,141
Liabilities			
Accounts Payable	\$ 59,635	\$ 245,369	\$ 305,004
Accrued Expenses	73,535	1,955	75,490
Customer Deposits	-	49,519	49,519
Bonds and Notes Payable			
Due Within One Year	148,036	148,243	296,279
Due in More Than One Year	1,547,435	5,269,350	6,816,785
Net Pension Liability	636,962	568,471	1,205,433
Other Long Term Liabilities	10,454	7,165	17,619
Total Liabilities	\$ 2,476,057	\$ 6,290,072	\$ 8,766,129
Deferred Outflows of Resources	\$ 48,023	\$43,213	\$ 91,236
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 3,517,004	\$ 5,427,603	\$ 944,607
Restricted	125,358	143,392	268,750
Unrestricted	680,764	(703,932)	(23,167)
Total Net Position	\$ 4,323,126	\$ 4,867,063	\$ 9,190,190

See accompanying notes to the financial statements.

**City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Governmental Activities	Government Business-type Activities	
Governmental Activities							
General Government	\$ (1,523,126)	\$ 75,225	\$25,963	\$183,924	\$(1,238,014)	-	\$ (1,238,014)
Municipal Street Activity	\$ (153,507)	-	\$48,977	110,000	5,470	-	\$ 5,470
Total Governmental Activities	<u>(1,676,633)</u>	<u>75,225</u>	<u>74,940</u>	<u>293,924</u>	<u>(1,232,544)</u>	<u>-</u>	<u>(1,232,544)</u>
Business-type Activities							
Water and Sewer Services	\$ (1,566,714)	\$ 919,054	-	1,935,664	-	1,288,004	1,288,004
General Revenues							
Property Taxes					\$221,973	-	\$221,973
Occupational/Net Profits Taxes					445,864	-	445,864
Fees, Licenses and Permits					398,382	-	398,382
Intergovernmental Revenue					16,824	-	16,824
Other Income					74,111	51,184	125,295
Unrestricted Interest Income					1,358	-	1,358
Restricted Interest Income					88	865	953
Total General Revenues					<u>1,158,600</u>	<u>52,049</u>	<u>1,210,649</u>
Transfers					<u>-</u>	<u>-</u>	<u>-</u>
					<u>1,158,600</u>	<u>52,049</u>	<u>1,210,649</u>
Net Change, Governmental and Business-type Activities					<u>(73,944)</u>	<u>1,340,053</u>	<u>1,266,109</u>
Net Position, July 1, 2015					<u>4,397,070</u>	<u>3,527,010</u>	<u>7,924,080</u>
Net Position, June 30, 2016					<u>\$4,323,126</u>	<u>\$4,867,063</u>	<u>\$9,190,189</u>

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
 Balance Sheet - Governmental Funds
 As of June 30, 2016

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents			
Cash	\$ 393,376	\$ -	\$ 393,376
Cash, Restricted	-	65,284	65,284
Certificates of Deposit	147,573	-	147,573
Receivables	307,716	-	307,716
Prepaid Expenses	4,257	-	4,257
Due from Other Funds	978,021	49,813	1,027,834
Total Assets	\$ 1,830,943	\$ 115,097	\$ 1,946,040
Liabilities			
Accounts Payable	\$ 59,635	\$ -	\$ 59,635
Accrued Expenses	73,535	-	73,535
Due to Other Funds	468,106	17,280	485,386
Total Liabilities	\$ 601,276	17,280	\$ 618,556
Fund Balance			
Non-spendable	\$ 4,257	\$ -	\$ 4,257
Restricted	-	97,817	97,817
Unassigned	1,225,410	-	1,225,410
Total Fund Balances	1,229,667	97,817	1,327,484
Total Liabilities and Fund Balances	\$ 1,830,943	\$ 115,097	\$ 1,946,040

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Position
 As of June 30, 2016

Total Fund Balance - Total Governmental Funds \$ 1,327,484

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 \$2,053,617 5,212,475

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. (1,695,471)

Other Long-Term Liabilities are not reported in the fund financial statements. (10,454)

Certain Liabilities are not reported in this fund financial statement because they are not due and payable, but are presented in the statements of net position
 Net Pension Liability (636,962)

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	118,260	
Deferred inflows related to pension	(48,023)	70,237

Net Position of Government Activities \$ 4,323,126

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Government Fund</u>	<u>Municipal Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Franchise Fees	\$ 141,056	\$ -	\$ 141,056
Insurance Premium Tax	243,071	-	243,071
Occupational Tax	445,864	-	445,864
Property Tax	221,973	-	221,973
Rent Income	75,225	-	75,225
Other Revenues	88,366	-	88,366
Intergovernmental Revenues	42,787	48,977	91,764
Grant Revenues	293,924	-	293,924
Interest Income	1,358	88	1,446
Total Revenues	1,553,624	49,065	1,602,689
Expenditures			
General Government	1,190,525	-	1,190,525
Municipal Streets	153,507	-	153,507
Debt Service			
Principal	149,890	-	149,890
Interest	33,005	-	33,005
Capital Outlay	120,403	-	120,403
Other Expenditures	1,107	-	1,107
Total Expenditures	1,648,437	-	1,648,437
Excess of Revenues and Grants Over (Under) Expenditures	(94,813)	49,065	(45,748)
Other Financing Sources (Uses)			
Transfer from (to) Municipal Aid Fund	31,700	(31,700)	-
Net Other Financing Sources (Uses)	31,700	(31,700)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(63,113)	17,365	(45,748)
Fund Balances, July 1, 2015	1,292,780	80,452	1,373,232
Fund Balances, June 30, 2016	\$ 1,229,667	\$ 97,817	\$ 1,327,484

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Reconciliation of the Statement of
Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds
To the Statement of Activities
As of June 30, 2016

Net change in fund balance- total governmental funds (\$45,748)
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	120,403
Amortization and depreciation	(275,419)

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 expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of debt principal	149,890
Other expenditures	1,107

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 pension liability.

	(24,177)
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Change of Net Position of Governmental Activities	\$ (73,944)
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City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2016

	<u>Water and Sewer Utility</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 115,131
Restricted Cash	104,092
Certificates of Deposit	145,642
Accounts Receivables	386,051
Prepaid Expenses	4,510
Total Current Assets	<u>755,426</u>
Non-current Assets	
Capital Assets	
Water and Sewer System	18,714,915
Accumulated Depreciation	(7,869,719)
Sewer Bond Sinking Fund	39,300
Due from Other Funds	352,644
Total Non-current Assets	<u>11,237,140</u>
Total Assets	<u>\$ 11,992,566</u>
Deferred Outflows of Resources	<u>\$102,881</u>
Total Assets and Deferred Outflows	<u><u>\$ 12,095,447</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$245,369
Accrued Expenses	1,955
Customer Deposits	49,519
Bonds and Notes Payable	
Due Within One Year	148,243
Total Current Liabilities	<u>445,086</u>
Non-current Liabilities	
Accrued Compensated Absences	7,165
Bonds and Notes Payable	
Due in More Than One Year	5,269,350
Due to Other Funds	895,099
Net Pension Liability	568,471
Total Non-current Liabilities	<u>6,740,085</u>
Total Liabilities	<u>\$ 7,185,171</u>
Deferred Inflows of Resources	<u>43,213</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	5,427,603
Restricted	143,392
Unrestricted	<u>(703,932)</u>
Total Net Position	<u>4,867,063</u>
Total Liabilities and Net Position	<u><u>\$ 12,095,447</u></u>

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Position - Proprietary Fund
For the Year Ended June 30, 2016

	<u>Water and Sewer Utility</u>
Operating Revenues	
Sewer Service	\$ 360,569
Water Service	545,235
Water Meter Connection	13,250
Grants	1,935,664
Total Operating Revenues	<u>2,854,718</u>
Operating Expenses	
Salaries and Benefit Expenses	515,210
Contractual	88,142
Materials and Supplies	86,283
Repairs and Maintenance	66,991
Utilities	169,451
Other Expenses	79,156
Total Operating and Maintenance Expenses	<u>1,005,233</u>
Operating Income Before Depreciation and Amortization	1,849,485
Depreciation	<u>(413,556)</u>
Operating Income	<u>1,435,929</u>
Non - Operating Revenues (Expenses)	
Interest Income	865
Other Income	51,184
Interest Expense	<u>(147,925)</u>
Total Non - Operating Income (Expenses)	<u>(95,876)</u>
Change in Net Position	1,340,053
Net Position, July 1, 2015	<u>3,527,010</u>
Net Position, June 30, 2016	<u>\$ 4,867,063</u>

City of Greensburg, Kentucky
Statement of Cash Flows – Continued
Proprietary Fund
For the Year Ended June 30, 2016

	Water and Sewer <u>Utility</u>
Reconciliation of Operating Profit to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 1,435,929
Adjustments to reconcile operating profit/loss to net cash provided by operating activities	
Depreciation	413,556
Pension Expense	20,597
Changes In:	
Accounts Receivables	364,042
Prepaid Expenses	2,294
Accounts Payable	(333,456)
Accrued Expenses	(15,740)
Accrued Compensated Absences	2,438
Net Cash Provided by Operating Activities	<u>\$ 1,889,660</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, 2016

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 current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, grant expenditures, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 \$1,225,410 as of June 30, 2016. Prepaid expenses of \$4,257 are considered non-spendable.

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$97,817. 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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, 2016, appropriations exceeded revenues in the general fund by \$62,750.

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 in the amount of \$151,912 are included in the proprietary fund receivables.

Internal Balances

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

Inventories

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

Restricted Assets

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

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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 \$10,000 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	10-60 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 that extend the useful life of the original asset are capitalized. The City uses a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

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

Compensated Absences

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salary and fringe benefits.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Accrued Liabilities and Long-Term Obligations

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

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

Estimates and Assumptions

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

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

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

	<u>Description</u>	<u>Date per KRS 134.015</u>
<input type="checkbox"/>	Due date for payment	Upon receipt
<input type="checkbox"/>	2% discount applies	To November 30
<input type="checkbox"/>	Face value payment period	To December 31
<input type="checkbox"/>	Past due date, 10% penalty	January 1
<input type="checkbox"/>	Interest charges	1.0% per month at January 1

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

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, 2016, 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, 2016. The categories of credit risk are defined as follows:

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

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Savings and time deposits	\$287,549	-	-	\$287,549	\$287,549
Demand Deposits	317,930	469,362	-	787,292	683,351
Total	\$605,479	\$469,362	\$0	\$1,074,841	\$970,900

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, 2016

Note C – Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

Capital Asset Class	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Land	\$319,034	\$ -		\$319,034
Buildings	2,811,026	10,000	-	2,821,026
Equipment	1,754,493	110,403	-	1,864,896
Furniture	26,178	-	-	26,178
Software	27,619	-	-	27,619
Vehicles	455,161	-	-	455,161
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Total Capital Assets	<u>7,145,689</u>	<u>120,403</u>	<u>-</u>	<u>7,266,092</u>
Less Accumulated Depreciation:				
Buildings	(536,586)	(72,600)	-	(609,186)
Equipment	(353,721)	(120,578)	-	(474,299)
Furniture	(25,520)	(165)	-	(25,685)
Software	(27,619)	-	-	(27,619)
Vehicles	(347,740)	(47,502)	-	(395,242)
Streetscape	(445,113)	(31,351)	-	(476,464)
Connector Road	(41,899)	(3,223)	-	(45,122)
Total accumulated depreciation	<u>(1,778,198)</u>	<u>(275,419)</u>	<u>-</u>	<u>(2,053,617)</u>
Total capital assets, net	<u>\$5,367,491</u>	<u>(\$155,016)</u>	<u>-</u>	<u>\$5,212,475</u>
Business-Type Activities:				
Land	\$145,450	\$ -	-	\$145,450
Buildings	77,731	-	-	77,731
Equipment	448,456	-	-	448,456
Sewer System	5,644,372	-	-	5,644,372
Vehicles	124,526	-	-	124,526
Water System	10,090,202	\$2,184,178	-	12,274,380
Total cost	<u>16,530,737</u>	<u>2,184,178</u>	<u>-</u>	<u>18,714,915</u>
Accumulated depreciation:				
Buildings	(77,131)	(600)	-	(77,730)
Equipment	(429,161)	(4,434)	-	(433,595)
Sewer System	(3,736,518)	(197,066)	-	(3,933,584)
Vehicles	(110,655)	(3,851)	-	(114,506)
Water System	(3,102,698)	(207,605)	-	(3,310,304)
Total accumulated depreciation	<u>(7,456,163)</u>	<u>(413,556)</u>	<u>-</u>	<u>(7,869,719)</u>
Total capital assets, net	<u>\$9,074,574</u>	<u>\$1,770,622</u>	<u>\$ -</u>	<u>\$10,845,196</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Note D – Receivables

As of June 30, 2016, the Receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
AR- Bell Engineering	\$ 23,496	\$ -
AR- Economic Development Support	1,563	-
AR- Delinquent Property Taxes	18,150	-
AR- Emergency 911	37,620	-
AR- Flowers	1,478	-
AR- Franchise Fees	20,606	-
AR- Greensburg Rotary Club	960	-
AR- Insurance Premium Tax	52,213	-
AR- WTP Grant Revenue	-	220,283
AR- KLEFPF	1,468	-
AR- Law Enforcement Revenue	2,675	-
AR- Licenses	375	-
AR- Other	3,200	1,109
AR- Police Drug fund Account	2,000	-
AR- Property Tax Revenue	4,110	-
AR- Rental income	1,275	-
AR- Stone Fort, Inc.	5,967	-
AR- Smith Contracting	-	12,741
AR- USPS	416	-
AR-Net Profits Tax	10,195	-
AR-Occupational Taxes	128,542	-
AR-Vehicle Taxes	1,407	-
Allowance for Doubtful Accounts	(10,000)	-
AR- Utility Service Customers	-	151,912
	\$ 307,716	\$ 386,046

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, 2016, the governmental debt of the City of Greensburg, Kentucky consisted of the following:

	<u>Balance</u>	<u>Current</u>
Bank Loan #7100364988		
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.	\$13,030	\$13,030
KLC Loan Series 2002A		
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	20,000
Bank Loan #7100419501		
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	41,421	12,629
Bank Loan #387557		
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	349,355	22,377
Ky Bond Corp Note		
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>1,171,665</u>	<u>80,000</u>
Total Notes Payable and Fixed Rate Swap Lease	<u>\$1,695,471</u>	<u>\$148,036</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Business-type Activities

As of June 30, 2016, the long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

	<u>Balance</u>	<u>Current</u>
KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%	\$67,549	\$8,223
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	1,177,917	65,000
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	46,500
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	6,000
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	3,000
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	416,200	6,500
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	57,927	5,020
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	427,000	8,000
	<hr/>	
Total Bonds and Notes Payable	<u>\$5,417,593</u>	<u>\$148,243</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2016:

<u>General Government Activities</u>	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
\$60,000, Note with bank, due Oct. 29, 2019, interest @ 3.00%, secured by police vehicles	\$53,924	-	(\$12,503)	\$41,421
\$75,236, Note with bank, due February 21, 2017, 3.25% interest annual interest, Secured by police vehicles (3)	28,691	-	(15,661)	13,030
\$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	120,000	-	-	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 December 7, 2015	20,221	-	(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	370,858	-	(21,503)	349,355
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	1,251,667	-	(80,002)	1,171,665
	<u>\$1,845,361</u>	-	<u>(\$149,890)</u>	<u>\$1,695,471</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Business-type Activities

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%	\$75,699	-	(\$8,150)	\$67,549
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)	1,177,917
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, original issue \$450,000 due January 1, 2048, interest @ 4.125%, secured by Revenue bonds	422,400	-	(6,200)	416,200
Kentucky League of Cities Long- term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured by City Revenues	62,757	-	(4,830)	57,927
United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured	435,000	-	(8,000)	427,000
Unamortized bond discount and loss on extinguishment of debt	(11)	-	11	-
	<u>\$5,528,384</u>	-	<u>(\$110,791)</u>	<u>\$5,417,593</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental activities, as of June 30, 2016 are as follows:

	<u>General Government Activity</u>					
	Bank Loan 7100419501	KLC Loan Series 2002A	Bank Loan 7100364988	Bank Loan 3087557	Loan # Ky Bond Corp.	Total
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	3,249	26,352	-	35,910	123,832	189,344
2021	-	25,106	-	35,910	126,002	187,018
2022-2026	-	-	-	179,551	630,858	810,410
2027-2031	-	-	-	83,809	249,485	333,293
Total	\$42,237	\$132,490	\$13,637	\$442,911	\$1,503,731	\$2,135,005
Current	\$12,996	\$24,831	\$13,637	\$35,910	\$124,779	\$212,153
Long-Term	\$29,241	\$107,659	-	\$407,001	\$1,378,951	\$1,922,852

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the business-type activities, as of June 30, 2016 are as follows:

	<u>Business Type Activity</u>								
	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
2017	\$8,846	\$102,209	\$98,939	\$19,450	\$8,550	\$22,990	\$7,345	\$17,121	\$285,451
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	8,780	100,908	98,939	19,450	8,550	22,990	7,345	17,121	284,083
2022-2026	26,235	505,122	494,693	97,251	42,748	114,952	39,173	85,605	1,405,778
2027-2031	-	485,122	494,693	97,251	42,748	114,952	-	85,605	1,320,371
2032-2036	-	21,419	494,693	97,251	42,748	114,952	-	85,605	856,668
2037-2041	-	-	494,693	97,251	42,748	114,952	-	85,605	835,249
2042-2046	-	-	494,693	97,251	42,748	114,962	-	85,605	835,259
2047-2051	-	-	494,693	95,651	42,748	45,961	-	85,608	764,661
2052-2056	-	-	294,875	59,951	25,415	-	-	-	380,241
Total	\$70,297	\$1,519,671	\$3,757,728	\$739,107	\$324,653	\$735,681	\$75,898	\$599,235	\$7,822,270
Current	\$8,846	\$102,209	\$98,939	\$19,450	\$8,550	\$22,990	\$7,345	\$17,121	\$285,451
Long-Term	\$61,451	\$1,417,462	\$3,658,789	\$719,657	\$316,103	\$712,691	\$68,553	\$582,114	\$7,536,819

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$148,036	\$64,117	\$212,153	\$148,243	\$137,207	\$285,451
2018	143,126	58,726	201,853	149,794	134,177	283,971
2019	147,116	53,819	200,935	154,338	130,236	284,575
2020	140,453	48,890	189,344	158,821	127,145	285,965
2021	143,325	43,693	187,018	161,901	122,182	284,083
2022-2026	661,436	148,974	810,410	856,511	549,267	1,405,778
2027-2031	311,980	21,313	333,293	901,867	418,505	1,320,372
2032-2036	-	-	-	549,018	307,650	856,668
2037-2041	-	-	-	597,100	238,149	835,249
2042-2046	-	-	-	677,700	157,559	835,259
2047-2051	-	-	-	693,800	70,861	764,661
2052-2056	-	-	-	368,500	11,741	380,241
Totals	<u>\$ 1,695,471</u>	<u>\$ 439,532</u>	<u>\$ 2,135,005</u>	<u>\$ 5,417,593</u>	<u>\$ 2,404,678</u>	<u>\$ 7,822,270</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

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, 2016, 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.

Note H- Related Parties Transactions

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

Note I - Economic Dependency

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

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Note J – Retirement Plan

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 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, 2016 the City's covered payroll for non-hazardous positions was \$701,228. 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, 2016.

Contribution rates are :	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	17.06%
Hazardous	8.0%-9.0%	32.95%

The City's contribution for the fiscal year ended June 30, 2016 was \$ 153,749 of which \$119,520 was contributed by the City and \$34,229 by the City's employees.

Membership in CERS consisted of the following at June 30, 2015:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	48,112	6,389	54,501
Inactive memberships	72,965	2,142	75,107
Active plan members	<u>82,969</u>	<u>9,188</u>	<u>92,157</u>
	<u>204,046</u>	<u>17,719</u>	<u>221,765</u>

Number of participating employers 1,136

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

At June 30, 2016, the City reported a liability of \$1,205,443 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.028% for non-hazardous.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Note J - Retirement Plan (Continued)

For the year ended June 30, 2016, the City recognized pension expense of \$123,547. At June 30, 2016, 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>
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ -	\$91,236
Differences between expected and actual results	10,017	-
Changes of assumptions	121,555	-
Net difference between projected and actual earnings on Plan investments	10,806	-
City contributions subsequent to the measurement date	<u>78,763</u>	<u>-</u>
Total	<u>\$ 221,141</u>	<u>\$ 91,236</u>

The \$78,763 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, 2017. 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,	
2017	\$ 33,916
2018	\$ 33,916
2019	\$ 6,121
2020	\$(22,809)

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments and for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date.

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. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Note J - Retirement Plan (Continued)

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Long Term Rate of Return: The long term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. 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, 2016

Note J - Retirement Plan (Continued)

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
Combined Equity	44	5.40%
Combined Fixed Income	19	1.50
Real Return (Diversified Inflation Strategies)	10	3.50
Real Estate	5	4.50
Absolute Return (Diversified Hedge Funds)	10	4.25
Private Equity	10	8.50
Cash Equivalent	<u>2</u>	-.25
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 28 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 determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

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 7.5 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 (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

	<u>Discount rate</u>	City's proportionate share of net pension <u>liability</u>
1% decrease	6.5%	\$ 1,538,862
Current discount rate	7.5%	\$ 1,205,443
1% increase	8.5%	\$ 919,847

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2016

Note J - Retirement Plan (Continued)

Changes of assumptions: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes are noted below.

- 1) The assumed investment rate of return was decreased from 7.75% to 7.50%.
- 2) The assumed rate of inflation was reduced from 3.50% to 3.25%.
- 3) The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- 4) Payroll growth assumption was reduced from 4.50% to 4.00%.
- 5) The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- 6) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2014 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 3 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigations is conducted.
- 7) The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

Payables to the pension plan: At June 30, 2016, the City reported a payable including insurance contributions of \$10,903 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

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, 2016 was \$36,000 year.

Note L- Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 19, 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, 2016, have not been evaluated by the City.

Due to a reduction in wholesale water sales revenue, the City enacted the following rate increases to insure the City's financial stability. Effective July 1, 2016 the City's occupational license tax increased from 1% to 1.5%. Effective July 15, 2016, the City's water and sewer rates increased 15%.

City of Greensburg, Kentucky
Budgetary Comparison Schedule, General Government Fund
For the Year Ended June 30, 2016

	Budgeted Amounts	Budgeted Amounts	Actual	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance</u>
Revenues				
Franchise Fees	\$125,000	\$125,000	\$141,056	\$16,056
Insurance Premium Tax	250,000	250,000	243,071	(6,929)
Occupational Tax	475,000	475,000	445,864	(29,136)
Property Tax	216,000	216,000	221,973	5,973
Rent Income	53,700	53,700	75,225	21,525
Other Revenues	194,968	194,968	88,366	(106,602)
Intergovernmental Revenues	3,000	3,000	42,787	39,787
Grant Revenues	322,133	322,133	293,924	(28,209)
Interest Income	3,000	3,000	1,358	(1,642)
Transfers In/Out	66,800	66,800	31,700	(35,100)
Loan Proceeds	45,000	45,000	0	(45,000)
Total Revenues	\$1,754,601	\$1,754,601	\$1,585,324	(\$169,277)
Appropriations				
Administration	381,333	381,333	396,080	(14,747)
Debt Service	182,895	182,895	182,895	0
Community Center	16,844	16,844	7,893	8,951
Police	385,708	385,708	370,976	14,732
Fire	45,803	45,803	32,960	12,843
City Maintenance	303,148	303,148	318,772	(15,624)
Paddle Trail	25,462	25,462	15,415	10,047
Grant Expenses	369,994	369,994	323,446	46,548
Total Appropriations	\$1,711,187	\$1,711,187	\$1,648,437	\$62,750
Excess of Resources Over(Under) Appropriations	43,414	43,414	(63,113)	(106,527)
Fund Balance June 30, 2015	939,446	939,446	1,292,780	442,822
Fund Balance June 30, 2016	\$982,860	\$982,860	\$1,229,667	\$336,295

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Municipal Aid Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts	Budgeted Amounts	Actual	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenue	\$66,725	\$66,725	\$48,977	(\$17,748)
Interest Income	75	75	88	13
Total Revenues	\$66,800	\$66,800	\$49,065	(17,735)
Appropriations				
Transfers Out	66,800	66,800	31,700	35,100
Total Appropriations	\$66,800	\$66,800	\$31,700	\$35,100
Excess of Resources Over(Under) Appropriations	-	-	17,365	17,365
Fund Balance July 1, 2015	39,690	39,690	80,452	47,718
Fund Balance June 30, 2016	\$39,690	\$39,690	\$97,817	\$65,083

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Water and Sewer Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final Budget <u>Variance</u>
Revenues				
Charges for Service, Sewer	\$375,050	\$375,050	\$360,569	(\$14,481)
Charges for Service, Water	884,657	884,657	545,235	(339,422)
Other Revenues	6,000	6,000	50,717	44,717
Water Connection Fees	12,000	12,000	13,250	1,250
Interest Income	2,000	2,000	865	(1,135)
Grant Revenues	3,296,348	3,296,348	1,935,664	(1,360,684)
Total Revenues	4,576,055	4,576,055	2,906,300	(1,669,755)
Appropriations				
Capital Outlay & Grant Expenses	4,315,348	4,315,348	2,184,178	2,131,170
Debt Retirement	324,939	324,939	258,716	66,223
Water Operations	542,687	542,687	574,498	(31,811)
Sewer Operations	404,963	404,963	430,260	(25,297)
Total Appropriations	\$5,587,937	\$5,587,937	\$3,447,652	\$2,140,285
Excess of Resources Over(Under) Appropriations	(1,011,882)	(1,011,882)	(541,352)	470,530
Fund Balance July 1, 2015	3,527,010	3,527,010	5,408,415	1,881,405
Fund Balance June 30, 2016	\$2,515,128	\$2,515,128	\$4,867,063	\$2,351,935

City of Greensburg, Kentucky
Notes to Required Supplementary Information
as of June 30, 2016
For the Fiscal Year Then Ended

(1) **Budgetary Basis of Accounting**

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

Net Changes In Fund Balances- Enterprise Funds

Change in Net Assets, Budget Basis	\$(541,352)
Reconciling amounts:	
(Increase)/Decrease in long-term debt	110,791
Capitalized grant expenses	2,184,178
Depreciation and amortization, Water	(413,556)
Rounding	<u>(8)</u>
Change in Net Position, GAAP Basis	<u>\$1,340,053</u>

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

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

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

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

A governmental entity that uses the modified approach has to document that it has performed a completed condition assessment of the assets at least once every three years. The City completed a condition assessment as of June 30, 2016 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2016 and for the year then ended.

Roads

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

Measurement Scale

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

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

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

Established Condition Level

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

Assessed Conditions

The following table reports the percentage of pavement meeting the “very good” and “good” condition ratings, as well as those falling into the “fair” category, as assessed in 2013. No City streets were assessed as “poor” or “very poor”. Prior to 2013, the City did not use an asset management system. Therefore, no meaningful comparison of the condition of the City’s roads prior to 2013 is available.

Category	2016
Very Good	70%
Good	25%
Fair	5%

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>
2012	\$26,927	\$50,000
2013	\$23,136	\$55,000
2014	\$27,175	\$23,136
2015	\$47,065	\$50,000
2016	\$153,507	\$160,000

Schedule of the City's Proportionate Share of the Net Pension Liability County
Employees' Retirement System
Last Two Fiscal Years

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
	<u>Non- Hazardous</u>	<u>Non- Hazardous</u>
City's proportion of the net pension liability (asset)	.031574%	.028036%
City's proportionate share of the net pension liability (asset)	\$ 1,024,355	\$ 1,205,443
City's covered-employee payroll	\$ 751,829	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.20%	171.90%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%

Schedule of the City's Pension Contributions
 County Employees' Retirement System
 Last Two Fiscal Years

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 157,854	\$ 153,749
Contributions in relation to the contractually required contribution	<u>(157,854)</u>	<u>(153,749)</u>
Contribution deficiency (excess)	\$ -	\$ -
<hr/>		
City's covered-employee payroll	\$ 751,829	\$ 701,228
Contributions as a percentage of covered - employee payroll	20.99%	23.08%

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2016

	General Activities	Municipal Street Activities	Total
Expenditures			
Advertising	\$3,982	-	\$3,982
Automated Emergency Notification	3,000	-	3,000
Bond Issuance expense	2,357	-	2,357
Capital Projects	4,207	-	4,207
Capital Projects – Equipment	16,344	-	16,344
CEP Testing per KRS	84	-	84
Code Enforcement Ordinances	2,551	-	2,551
Community Dev. - Director's Exp	12,823	-	12,823
Community Programs	8,979	-	8,979
Computer/Software	13,283	-	13,283
Contractual Services	6,909	-	6,909
Credit Card Fees	1,289	-	1,289
Debt Service	33,005	-	33,005
Depreciation expenses	275,419	-	275,419
Dues & Subscriptions	1,412	-	1,412
Fees	7,779	-	7,779
Fireman's Fees	6,004	-	6,004
Grant Expenses	31,103	-	31,103
Greensburg 20/20	18,269	-	18,269
Insurance	58,312	-	58,312
Interlocal Agreement	35,000	-	35,000
Mayor & City Council	6,538	-	6,538
Minor Equipment	763	-	763
Other Expenses	7,402	-	7,402
Park	2,991	-	2,991
Paver-Bench-Lightpole Expenses	918	-	918
Pension Expense	24,177	-	24,177
Personnel	403,059	-	403,059
Personnel- Insurance Benefits	86,139	-	86,139
Personnel- Retirement	57,942	-	57,942
Personnel Taxes - FICA/MC	29,429	-	29,429
Postage	3,158	-	3,158
Professional Fees	24,287	-	24,287
Recycling Center	7,319	-	7,319

Repairs & Maintenance	86,355	-	86,355
Streets	153,507	-	153,507
Supplies	25,954	-	25,954
Travel & Training	7,756	-	7,756
Uniforms	2,573	-	2,573
Utilities	200,887	-	200,887
Web Site	3,368	-	3,368
Total Expenditures	\$ 1,676,633	\$ -	\$ 1,676,633

Revenues

Code Enforcement Revenue	\$ 600	\$ -	\$ 600
Community Center Activity Fee	2,970	-	2,970
County Fire Dept. Reimbursement	5,500	-	5,500
Economic Development Support	1,563	-	1,563
Franchise Fees	141,056	-	141,056
Grant Income	293,924	-	293,924
Insurance Premium Taxes	243,071	-	243,071
Insurance Proceeds	2,141	-	2,141
Interest Income	1,358	88	1,446
Intergovernmental revenue	2,053	48,977	51,030
KLEFPF	17,713	-	17,713
Law Enforcement revenue	14,771	-	14,771
Licenses/permits Income	11,703	-	11,703
Occupational Tax Revenue	410,581	-	410,581
Occupational taxes- Net Profits	35,283	-	35,283
Other Income	10,398	-	10,398
Paddle Trail/Cabins Income	27,581	-	27,581
Pavers-Benches-Lightpole Income	865	-	865
Police Dept. Collections	989	-	989
Program Support Greensburg 2020	2,519	-	2,519
Property Tax Revenue	200,102	-	200,102
Rental Income	69,725	-	69,725
School Resource Officer	17,437	-	17,437
Senior Center Utility reimbursement	9,600	-	9,600
State Aid- Fire Dept.	8,250	-	8,250
Vehicle taxes	21,871	-	21,871
Total Revenues	\$ 1,553,624	\$ 49,065	\$ 1,602,689

Net Revenues and Grant Revenue	\$ (123,009)	\$ 49,065	\$ (73,944)
Over Expenditures and Transfers			

City of Greensburg, Kentucky
 Schedule of Sewer and Water Service Activities
 For the Year Ended June 30, 2016

Operating Expenditures	Sewer and Water Service <u>Activities</u>
Advertising	\$828
Chemicals	68,616
Computer/Software	5,613
Debt Service	147,925
Depreciation	413,556
Insurance	63,355
Licenses	309
NPC Fees Expense- Water Dept.	1,622
Other – Various	4,473
Pension Expense	20,597
Personnel	332,894
Personnel Benefits- Insurance	87,810
Personnel Benefits-Retirement	50,342
Personnel Taxes- FICA/MC	23,567
Postage	6,968
Professional Fees	24,787
Rent	36,000
Repairs & Maintenance	65,400
Sludge disposal	1,591
Supplies	17,667
Testing	19,500
Training and Travel	3,664
Uniforms Allowance	179
Utilities	150,130
Water purchased	19,321
Total	<u>\$ 1,566,714</u>

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities - Continued
For the Year Ended June 30, 2016

Revenues	Sewer and Water Service <u>Activities</u>
Fees- Sewer	\$360,569
Fees- Water	545,235
Grant Income	1,935,664
Interest Income- Water	669
Interest Income-Sewer	196
Other Income-Sewer	18,107
Other Income-Water	33,007
Water Meter Connection Income	<u>13,250</u>
Total	<u>2,906,767</u>
 Net Revenues Over Expenditures	 <u><u>\$1,340,053</u></u>

**Independent Auditors' Report on Internal Control Over Financial Reporting
And on Compliance And Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Greensburg, Kentucky, as of and for the year ended June 30, 2016, 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 December 19, 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
December 19, 2016
Richmond, Kentucky

**Independent Auditors' Report on Compliance for Each Major Program
And on Internal Control Over Compliance Required by the Uniform Guidance**

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

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Report on Internal Control over Compliance

Management of the 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
December 19, 2016
Richmond, Kentucky

City of Greensburg, Kentucky
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

A. Summary of Audit Results

Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Greensburg, Kentucky.
2. No deficiencies in internal control over financial reporting were disclosed during the audit.
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.

Federal Awards

4. No 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 2 CFR 2005.16(a).
7. The programs tested as major programs included:

	<u>CFDA #</u>
Economic Development Administration Grant	11.307
8. The threshold for distinguishing Types A and B Programs was \$750,000.
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, 2016

B. Financial Statement Findings

No matters were reported.

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, 2016

D. Schedule of Prior Year Audit 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 agreed with the auditor's recommendations and implemented the necessary steps improve controls.

City of Greensburg, Kentucky
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Program Title	CFDA Number	Contract / Passthru Number	Contract Period	Amount Awarded	Expenditures
<u>Federal Highway Administration Cabinet</u>					
Utility Relocation Project	20.205	JL04 044 84693 01 U	2/01/15 - 4/15/16	\$49,988	\$25,461
<u>U.S. Department of Justice</u>					
Community Oriented Policing Services (COPS) (Pass through State of Kentucky)	16.710	KY04401	9/01/11 - 8/31/15	\$144,054	\$344
<u>National Highway Traffic Safety Administration</u>					
National Priority Safety Programs (Pass through State of Kentucky)	20.616	M2HVE-2016-MG-00-14	5/23/16 - 6/05/16	\$1,500	\$836
Occupant Protection Incentive Grants	20.602	M2-15-04	10/01/14 - 09/30/15	<u>\$7,100</u>	<u>\$1,199</u>
Total- NHTSA				<u>\$8,600</u>	<u>\$2,035</u>
<u>Department of Housing and Urban Development</u>					
Community Development Block Grant (Pass through the Green Co., Ky. Fiscal Court)	14.228	12-034	9/26/12 - 12/31/14	\$1,000,000	\$388,310
<u>U.S. Department of Commerce</u>					
Economic Development Administration Grant	11.307	N/A	12/21/11 -12/22/16	\$2,000,000	\$907,212
<u>U.S. Department of Agriculture</u>					
Rural Development Grant - Water and Waste Disposal Sys. for Rural Communities	10.760	N/A	07/01/15 - 12/31/16	\$1,423,000	<u>\$640,142</u>
Total					<u><u>\$1,963,504</u></u>

See notes to the schedule of federal awards.

City of Greensburg, Kentucky
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. De Minimis Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.