



City of Greensburg, Kentucky

Audit of the Financial Statements

As of June 30, 2017

And For the Year Then Ended

With Report of Independent Auditor

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January 6, 2018

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, 2017, 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.

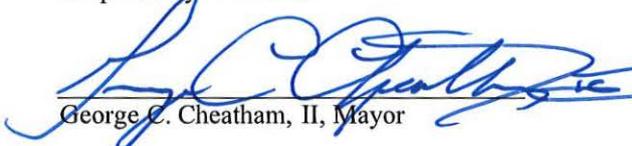
For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding 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 E. Cheatham, II, Mayor


Jamie 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, 2018
Council Member	Sandi Moran	December 31, 2018
Council Member	Trent Ford	December 31, 2018
Council Member	Connie Judd	December 31, 2018
Council Member	CW VanArsdale	December 31, 2018
Council Member	Reva Nell Tucker	December 31, 2018
City Clerk	Janie Casey	
Police Chief	Wayne Hedgespeth	
Fire Chief	Lawrence Gupton	
Public Works Director	Roger Skaggs	
Water Plant Chief Operator	Joe Creason	
Wastewater Plant Chief Operator	Eddie Wright	
E911 Coordinator	Ron Jones	



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

**Financial Audit
As of the Year Ended
June 30, 2017**

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

The 2017 fiscal year was a bit of a breather following the challenges of the 2016 fiscal year. It was a year we were able resume investing back into our community and our efforts of increasing the livability of Greensburg. However, our investments had to be scaled back to a few delayed maintenance projects, one of our community parks and to prevent the loss of grant funding, the new pavilion and bathrooms at the Green River Paddle Trail. Due to the cloud being cast by the financial threats coming from Frankfort, we have had to slow our community redevelopment plans for Greensburg to maintain a sound financial foundation going forward, the City of Greensburg remains committed to providing sound local government including top rate emergency services for our citizens and the long-term redevelopment of our local neighborhoods.

We have worked hard over the years to improve the community while at the same time maintaining a financially sound operation, while at the same time keeping the City's taxes, fees and utility rates as low as possible. As was discussed last year in this report, I'm happy to say the City of 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. And, 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 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. The City is currently in the process of revising our five-year strategic and comprehensive plan with the help of the Kentucky League of Cities. Once completed, this plan just as the one prepared five years ago, will be the guide going forward for our community and its efforts to improve.

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 lower maintenance options such as smaller homes, condominiums and apartments.

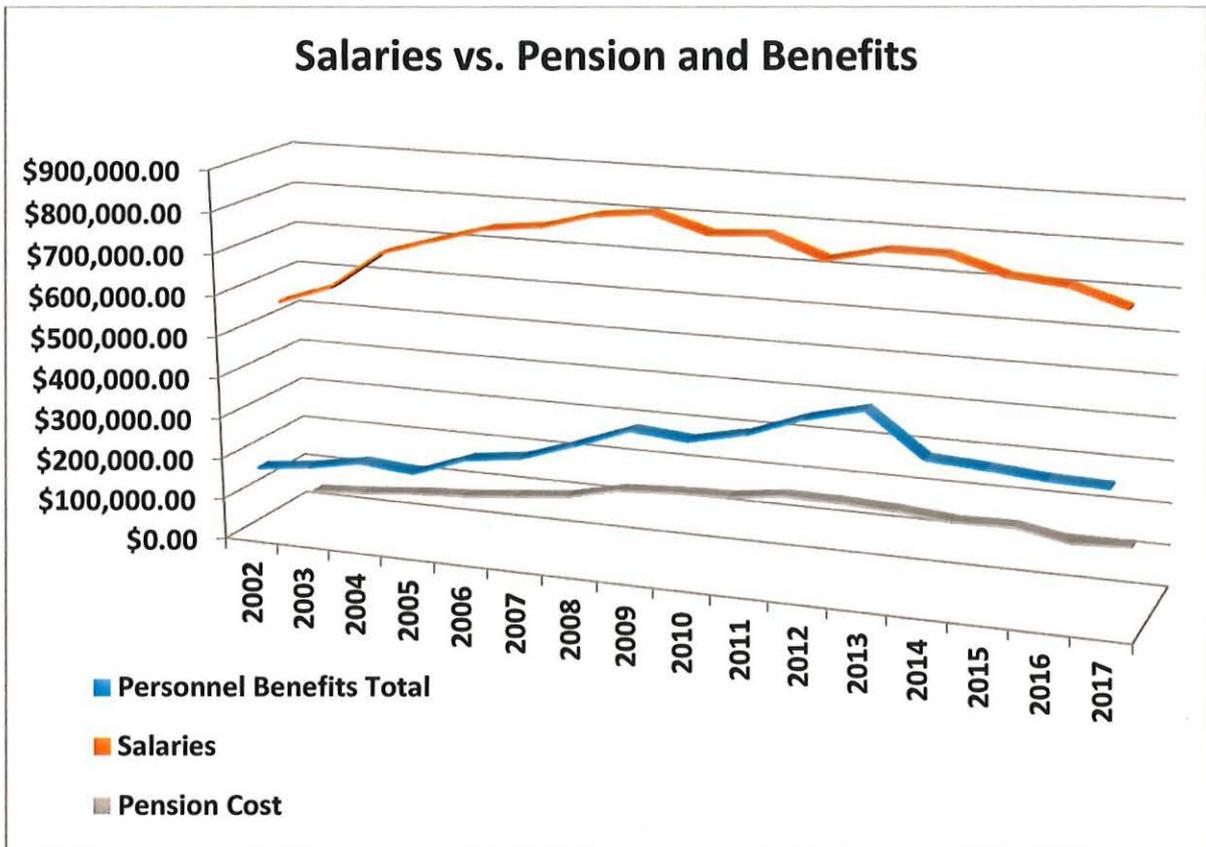
According to a study released a year ago by the University of Louisville Kentucky State Data Center, 76 of the State's 120 counties are projected to lose population over the next 25 years. Projections for Green County going forward are not good. Greensburg and Green County are projected to see a decline 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 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 the local level the depopulation of our community will result 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.

The 2017 Fiscal year saw several positive developments. The continued investment and development of the Greensburg By-Pass area, the completion of the pavilion and bathrooms at the Green River Paddle Trail, the Old Depot Neighborhood Park and many delayed maintenance projects such as sidewalk revitalization just to name a few. 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. With the conversion of the Greensburg Housing Authority's Public Housing properties to U.S. Housing and Urban Development's new RAD program, only the second one in Kentucky able to make that conversion to date, we hope to see our efforts at neighborhood revitalization enhanced much quicker now. 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. Especially based on the drastic and unneeded changes being forced upon local governments by the State of Kentucky and their pension crisis. Make no mistake, the State of Kentucky has created a state pension crisis for themselves, however the pension system covering local governments and school districts does not have the same crisis and does not need the same solution.

In the past fifteen years we have seen an over all cut in full-time employment within the City's various departments of nearly 40% from 33 to 21 full-time employees. The City relies more and more on the use of part-time employees to make up the difference 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.



2017 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 Community Center, 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 2017 Fiscal year worth noting are as follows. The over all net asset value of the City of Greensburg declined by just over 2.9% to \$8,920,632, this was mainly due to increased depreciation and another increase in the pass thru pension liability from the State.

However, total liabilities were reduced by approximately \$234,000. The City’s over all

debt service level for the General Fund versus 2017 reoccurring income was just 20.45%. And the City's over all debt service level for the Water and Wastewater System (O&M) was 25.76% of the 2017 O&M revenue level. Overall debt as a percentage of assets declined by over 5% to 26%,

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 2017 fiscal year saw an increase of just over \$29,000 versus the 2016 audit year or approximately 1.84%.

The City continues to maintain a solid base of working capital. The overall cash and savings on hand for CEF stood to just over \$419,000. While this is a slight decrease over the previous year, it can be accounted for by the planned one-time investments into the Old Neighborhood Park, the new roof on the City Recycling Center, E-911 Upgrades and the Green River Paddle Trail Pavilion Project. The City will see grant reimbursement for the latter two items in the next fiscal year due to timing of grant reimbursement. This puts the net asset value of the city's general government fund at just over \$4.25 million – down \$106,408 from 2016. And overall debt as a percentage of capital assets for the General Government Fund came in at 21.36% - nearly an 8.5% decline.

Water and Wastewater Department (O&M)

As for Operations & Maintenance, the 2017-year was a more positive year than 2016. Water and Waste Water revenue for the year was up \$183,481 or 19.19%. After adjusting for depreciation and grant activity the Water and Wastewater Department (O&M) saw a gain of just over \$52,800 in the 2017 fiscal year.

Also on a positive note as projected in our project outline for the "New Water Treatment Plant", maintenance and repair costs were down \$45,051 from 2015 and as projected in our project outline, labor costs continue to be below the 2014 audit period by over \$34,000. 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, have continued to cover the debt payments for the new water plant. 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.

For Fiscal 2017, cash on hand increased by \$66,830 versus the close of the 2016 Fiscal year to \$431,695. And on a departmental level, O&M debt as a percentage of Capital Assets came in at 27.84% - 3.83% below the 2016 level.

Conclusion to Financial Highlights

Overall the city turned in a positive financial year with net asset value declining by \$269,558 due in large part to depreciation charges of over \$734,000 and another increase in the City's proportional share of the CERS pension liability of \$145,049.

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 has been the continued implementation of GASB Statement No. 68, referenced above.

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. The 2014 Fiscal 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 2017 Fiscal Year, this number has now grown to \$1,350,492.

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 5,400-square foot Pavilion and Bathroom facility to the park during Fiscal 2017 thanks to a grant through the Kentucky Land and Water Fund. The facility contains 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 2018. 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 in the spring of 2018.

By far the most ambitious project the of City of Greensburg is pursuing is the City’s Greensburg \$aves 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. By improving the City’s housing stock and realigning our housing to better fit the demands of an older community the City hopes to increase both 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 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, 2017

	General Government Activities	Business-Type Activities	Total 2017	Total 2016
Assets				
Current Assets	\$ 1,405,973	\$ (55,843)	\$ 1,350,130	\$ 1,673,627
Capital Assets, Net	5,191,344	10,607,100	15,798,444	16,057,670
Other Non-Current Assets	55,817	-	55,817	95,117
Total Assets	<u>6,653,134</u>	<u>10,551,257</u>	<u>17,204,391</u>	<u>17,826,414</u>
Deferred Outflows of Resources	<u>154,333</u>	<u>133,610</u>	<u>287,943</u>	<u>221,141</u>
Liabilities				
Current Liabilities	165,975	95,120	261,095	430,013
Long Term Debt	1,608,782	5,269,350	6,878,132	7,113,064
Other Long Term Liabilities	726,108	635,198	1,361,306	1,223,052
Total Liabilities	<u>2,500,865</u>	<u>5,999,668</u>	<u>8,500,533</u>	<u>8,766,129</u>
Deferred Inflows of Resources	<u>37,187</u>	<u>33,982</u>	<u>71,169</u>	<u>91,236</u>
Net Position				
Invested in Capital Assets, Net of Debt	3,582,562	5,337,750	8,920,312	8,944,607
Restricted	141,328	115,892	257,220	268,750
Unrestricted	545,525	(802,425)	(256,900)	(23,167)
Total Net Position	<u>\$4,269,415</u>	<u>\$4,651,217</u>	<u>\$8,920,632</u>	<u>\$9,190,190</u>

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2017

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012
Current Expense Fund Revenues						
Taxes	\$886,133	\$910,908	\$903,403	\$908,089	\$890,479	\$939,779
Intergovernmental Revenue	58,722	42,787	50,081	40,350	72,198	\$74,953
Franchise Fees	133,842	141,056	152,945	142,486	124,817	\$133,443
Grants	199,246	293,924	165,787	373,672	914,975	\$73,875
Rents	88,135	75,225	102,232	104,012	64,667	\$84,157
Interest Income	1,197	1,358	3,169	3,311	6,894	\$6,828
Other	112,714	120,066	95,530	104,965	100,635	\$66,660
Totals Revenues	\$1,479,989	\$1,585,324	\$1,473,147	\$1,676,885	\$2,174,665	\$1,379,695

Current Expense Fund Expenditures						
General Government	\$569,626	\$791,533	\$1,024,388	\$540,870	\$501,144	\$570,470
Public Safety, Police	377,262	281,920	388,122	421,194	436,027	\$479,287
Public Safety, Fire	114,352	51,352	39,084	28,395	38,471	\$99,910
City Maintenance	373,603	407,641	301,871	324,643	302,369	\$270,004
Grant Expenditures	334,627	144,187	5,546	3,402	1,212,515	\$79,206
Totals Expenditures	\$1,769,470	\$1,676,633	\$1,759,011	\$1,318,504	\$2,490,526	\$1,498,877

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012
Current Expense Fund Revenues						
Taxes	59.87%	57.46%	61.32%	54.15%	40.95%	68.11%
Intergovernmental Revenue	3.97%	2.70%	3.40%	2.41%	3.32%	5.43%
Franchise Fees	9.04%	8.90%	10.38%	8.50%	5.74%	9.67%
Grants	13.46%	18.54%	11.25%	22.28%	42.07%	5.35%
Rents	5.96%	4.75%	6.94%	6.20%	2.97%	6.10%
Interest Income	0.08%	0.09%	0.22%	0.20%	0.32%	0.49%
Other Income	7.62%	7.57%	6.48%	6.26%	4.63%	4.83%
Totals Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Current Expense Fund Expenditures						
General Government	32.19%	47.21%	58.24%	41.02%	20.12%	38.06%
Public Safety, Police	21.32%	16.81%	22.06%	31.94%	17.51%	31.98%
Public Safety, Fire	6.46%	3.06%	2.22%	2.15%	1.54%	6.67%
City Maintenance	21.11%	24.31%	17.16%	24.62%	12.14%	18.01%
Grant Expenditures	18.91%	8.60%	0.32%	0.26%	48.69%	5.28%
Totals Expenditures	100.00%	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, 2017

Fiscal Years Ended June 30, Business-type Fund	2017	2016	2015	2014	2013	2012
Revenues						
Water Service	\$716,303	\$558,485	\$788,436	\$814,631	\$853,289	\$799,936
Sewer Service	399,782	360,569	363,180	353,699	364,516	349,165
Occupational Taxes	192,828	-	-	-	-	-
Interest Income	1,305	865	1,876	2,188	3,833	4,457
Other Service	44,357	50,717	31,971	44,130	39,225	63,873
Totals Revenues	<u>\$1,354,575</u>	<u>\$970,636</u>	<u>\$1,185,463</u>	<u>\$1,214,648</u>	<u>\$1,260,863</u>	<u>\$1,217,431</u>
As a percentage:						
Water Service	52.88%	57.54%	66.51%	67.07%	67.67%	65.71%
Sewer Service	29.51%	37.15%	30.64%	29.12%	28.91%	28.68%
Occupational Taxes	14.24%	-	-	-	-	-
Interest Income	0.10%	0.09%	0.16%	0.18%	0.30%	0.37%
Other Service	3.27%	5.23%	2.70%	3.63%	3.11%	5.25%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Business-type Fund Expenditures						
Personnel Cost	\$499,257	\$515,210	\$517,761	\$560,780	\$606,052	\$568,192
Occupancy Expenses	162,138	169,451	163,757	147,028	132,864	\$114,006
Maintenance and Repairs Expenses	86,478	66,991	131,529	80,627	85,353	\$148,172
Interest Expenses	175,002	147,925	220,799	161,083	119,917	\$115,779
Other Expenses	309,808	253,581	230,595	239,159	187,784	\$259,530
Depreciation and Amortization	448,818	413,556	370,972	379,681	381,548	\$376,869
Totals Expenditures	<u>\$1,681,501</u>	<u>\$1,566,714</u>	<u>\$1,635,413</u>	<u>\$1,568,358</u>	<u>\$1,513,518</u>	<u>\$1,582,548</u>
As a percentage:						
Personnel Cost	29.69%	32.88%	31.66%	35.76%	40.04%	35.90%
Occupancy Expenses	9.64%	10.82%	10.01%	9.37%	8.78%	7.20%
Maintenance and Repairs Expenses	5.14%	4.28%	8.04%	5.14%	5.64%	9.36%
Interest Expenses	10.41%	9.44%	13.50%	10.27%	7.92%	7.32%
Other Expenses	18.42%	16.19%	14.10%	15.25%	12.41%	16.40%
Depreciation and Amortization	26.69%	26.40%	22.68%	24.21%	25.21%	23.81%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

City of Greensburg, Kentucky
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Then Ended June 30, 2017

Capital Assets at Year End	General Government Activities	Business-Type Activities	Total 2017	Total 2016
Land	\$319,034	\$145,450	\$464,484	\$464,484
Buildings	2,947,073	77,731	3,024,804	2,898,757
Equipment	1,937,361	458,637	2,395,998	2,313,352
Furniture	26,178		26,178	26,178
Software	27,619		27,619	27,619
Vehicles	521,061	124,526	645,587	579,687
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	5,644,372
Water System		12,474,921	12,474,921	12,274,380
Total Capital Assets	\$7,530,504	\$18,925,637	\$26,456,141	\$25,981,007
Debt Outstanding at Year End				
Bonds Payable	-	\$5,157,117	\$5,157,117	\$4,114,200
Notes Payable	1,608,782	112,230	1,721,012	2,998,864
Total Debt Outstanding	\$1,608,782	\$5,269,347	\$6,878,129	\$7,113,064
Debt as a % of Capital Assets	21.36%	27.84%	26.00%	27.38%

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, 2017, 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, 2017, 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, pension schedules and information about infrastructure assets reporting using the modified approach on pages 3-14 and 53-

60, 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 61-63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is 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 is 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 January 6, 2018, 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
January 6, 2018
Richmond, Kentucky

City of Greensburg, Kentucky
Statement of Net Position
As of June 30, 2017

Assets	Governmental Activities	Business- Type Activities	Totals
Cash and Cash Equivalents	\$ 185,992	\$169,252	\$ 355,244
Restricted Cash	85,511	115,892	201,403
Certificates of Deposit	148,347	146,551	294,898
Receivables	252,325	226,455	478,780
Prepaid Expenses	15,528	4,277	19,805
L/T Investments	-	-	-
Internal Balances, net	718,270	(718,270)	-
Other Long Term Assets	55,817	-	55,817
Capital Assets			-
General Government	7,530,504	-	7,530,504
Water and Sewer System	-	18,925,637	18,925,637
Accumulated Depreciation	(2,339,160)	(8,318,537)	(10,657,697)
Total Assets	6,653,134	10,551,257	17,204,391
Deferred Outflows of Resources			
Pension Contributions - Current Year	\$ 154,333	\$ 133,610	287,943
Liabilities			
Accounts Payable	75,468	35,250	110,718
Accrued Expenses	90,507	10,474	100,981
Customer Deposits	-	49,396	49,396
Bonds and Notes Payable			
Due Within One Year	148,909	149,794	298,703
Due in More Than One Year	1,459,873	5,119,556	6,579,429
Net Pension Liability	715,294	635,198	1,350,492
Other Long Term Liabilities	10,814	-	10,814
Total Liabilities	2,500,865	5,999,668	8,500,533
Deferred Inflows of Resources			
Pension Contributions - Current Year	37,187	33,982	71,169
Net Position			
Invested in Capital Assets, Net of Related Debt	3,582,562	5,337,750	8,920,312
Restricted	141,328	115,892	257,220
Unrestricted	545,525	(802,425)	(256,900)
Total Net Position	\$ 4,269,415	\$ 4,651,217	\$ 8,920,632

See accompanying notes to the financial statements

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Governmental Activities	Government Business-type Activities	Totals
Governmental Activities							
General Government	\$ (1,670,229)	\$ 88,135	\$ 32,875	\$ 199,246	\$ (1,349,973)	-	\$ (1,349,973)
Municipal Street Activity	-	-	48,447	-	48,447	-	48,447
Total Governmental Activities	<u>(1,670,229)</u>	<u>88,135</u>	<u>81,322</u>	<u>199,246</u>	<u>(1,301,526)</u>	<u>-</u>	<u>(1,301,526)</u>
Business-type Activities							
Water and Sewer Services	(1,681,501)	1,102,535	-	199,080		(379,886)	(379,886)
General Revenues							
Property Taxes					\$ 214,640	\$ -	\$ 214,640
Occupational/Net Profits Taxes					446,154	192,828	638,982
Fees, Licenses and Permits					382,561	-	382,561
Intergovernmental Revenue					25,847	-	25,847
Other Income					88,502	57,907	146,409
Sale Proceeds					835	-	835
Unrestricted Interest Income					1,197	1,305	2,502
Restricted Interest Income					79	-	79
Total General Revenues					<u>1,159,815</u>	<u>252,040</u>	<u>1,411,855</u>
Transfers					<u>88,000</u>	<u>(88,000)</u>	<u>-</u>
					<u>1,247,815</u>	<u>164,040</u>	<u>1,411,855</u>
Net Change, Governmental and Business-type Activities					(53,711)	(215,846)	(269,557)
Net Position, July 1, 2016					<u>4,323,126</u>	<u>4,867,063</u>	<u>9,190,189</u>
Net Position, June 30, 2017					<u>4,269,415</u>	<u>4,651,217</u>	<u>8,920,632</u>

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
As of June 30, 2017

	General Government <u>Fund</u>	Municipal Aid <u>Fund</u>	Total Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents			
Cash	\$ 185,992	-	\$ 185,992
Cash, Restricted		\$ 85,511	85,511
Certificates of Deposit	148,347	-	148,347
Receivables	252,325	-	252,325
Prepaid Expenses	15,528	-	15,528
Due from Other Funds	685,737	32,533	718,270
Total Assets	\$ 1,287,929	\$ 118,044	\$ 1,405,973
Liabilities			
Accounts Payable	\$ 75,468	-	\$ 75,468
Accrued Expenses	90,507	-	90,507
Total Liabilities	165,975	-	165,975
Fund Balance			
Non-spendable	15,528	-	15,528
Restricted		118,044	118,044
Unassigned	1,106,426	-	1,106,426
Total Fund Balances	1,121,954	118,044	1,239,998
Total Liabilities and Fund Balances	\$ 1,287,929	\$ 118,044	\$ 1,405,973

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, 2017

Total Fund Balance - Total Governmental Funds	\$ 1,239,998
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 \$ 2,339,160	5,191,344
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.	(1,608,782)
Other Long-Term Liabilities are not reported in the fund financial statements.	(10,814)
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	(715,294)
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	154,333
Deferred inflows related to pension	<u>(37,187)</u>
Net Position of Government Activities	<u>\$ 4,269,415</u>

City of Greensburg, Kentucky
Statement of Revenues, Expenditures
And Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2017

	General Government Fund	Municipal Aid Fund	Total Governmental Funds
Revenues			
Franchise Fees	\$ 133,842	\$ -	\$ 133,842
Grant Revenues	199,246	-	199,246
Insurance Premium Tax	225,339	-	225,339
Interest Income	1,197	79	1,276
Intergovernmental Revenues	58,722	48,447	107,169
Occupational Tax	446,154	-	446,154
Other Revenues	111,879	-	111,879
Property Tax	214,640	-	214,640
Rent Income	88,135	-	88,135
Sale Proceeds	835	-	835
Total Revenues	1,479,989	48,526	1,528,515
Expenditures			
General Government	1,268,367	-	1,268,367
Municipal Streets	53,869	-	53,869
Debt Service			-
Principal	151,796	-	151,796
Interest	31,026	-	31,026
Capital Outlay	264,412	-	264,412
Total Expenditures	1,769,470	-	1,769,470
Excess of Revenues and Grants Over (Under) Expenditures	(289,481)	48,526	(240,955)
Other Financing Sources (Uses)			
Loan Proceeds	65,468	-	65,468
Transfers In/(Out)	116,300	(28,300)	88,000
Net Other Financing Sources (Uses)	181,768	(28,300)	153,468
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(107,713)	20,226	(87,487)
Fund Balances, July 1, 2016	1,229,667	97,817	1,327,484
Fund Balances, June 30, 2017	\$ 1,121,954	\$ 118,044	\$ 1,239,998

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, 2017

Net change in fund balance- total governmental funds (\$87,486)
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	264,412
Amortization and depreciation	(285,544)

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

Repayment of debt principal	151,796
Loan Proceeds	(65,468)

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.

(31,421)

Change of Net Position of Governmental Activities	<u>\$ (53,711)</u>
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City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds
As of June 30, 2017

	Water and Sewer Utility
Assets	
Current Assets	
Cash and Cash Equivalents	\$169,252
Restricted Cash	115,892
Cetificates of Deposit	146,551
Accounts Receivables	226,455
Prepaid Expenses	4,277
Total Current Assets	<u>662,427</u>
Non-current Assets	
Capital Assets	
Water and Sewer System	18,925,637
Accumulated Depreciation	<u>(8,318,537)</u>
Total Non-current Assets	<u>10,607,100</u>
Total Assets	<u>\$11,269,527</u>
Deferred Outflows of Resources	
Pension Contributions- Current Year	<u>\$133,610</u>
Total Assets and Deferred Outflows	<u>\$11,403,137</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$35,250
Accrued Expenses	10,474
Customer Deposits	49,396
Bonds and Notes Payable	
Due Within One Year	149,794
Due to Other Funds	<u>718,270</u>
Total Current Liabilities	<u>963,184</u>

See accompanying notes to the financial statements.

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Funds (continued)
As of June 30, 2017

Non-current Liabilities

Bonds and Notes Payable	
Due in More Than One Year	5,119,556
Net Pension Liability	635,198
Total Non-current Liabilities	<u>5,754,754</u>
Total Liabilities	<u>\$6,717,938</u>

Deferred Inflows of Resources	<u>33,982</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	5,337,750
Restricted	115,892
Unrestricted	<u>(802,425)</u>

Total Net Position	<u>4,651,217</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$11,403,137</u>

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Net Position - Proprietary Fund
For the Year Ended June 30, 2017

	Water and Sewer Utility
Operating Revenues	
Sewer Service	\$ 399,782
Water Service	702,753
Occupational Taxes	192,828
Water Meter Connection	13,550
Grants	199,080
Total Operating Revenues	<u>1,507,993</u>
Operating Expenses	
Salaries and Benefit Expenses	499,257
Contractual	93,072
Materials and Supplies	77,310
Repairs and Maintenance	86,478
Grants	6,000
Utilities	162,138
Other Expenses	133,426
Total Operating and Maintenance Expenses	<u>1,057,681</u>
Operating Income Before Depreciation	450,312
Depreciation	<u>(448,818)</u>
Operating Income (Loss)	<u>1,494</u>
Non - Operating Revenues (Expenses)	
Interest Income	1,305
Other Income	44,357
Transfers Out	(88,000)
Interest Expense	(175,002)
Total Non - Operating Income (Expenses)	<u>(217,340)</u>
Change in Net Position	(215,846)
Net Position, July 1, 2016	4,867,063
Net Position, June 30, 2017	<u>\$ 4,651,217</u>

See accompanying notes to the financial statements

City of Greensburg, Kentucky
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

**Water and
Sewer
Utility**

Cash Flow from Operating Activities:	
Cash Received from Customers	1,116,085
Cash Received from Occupational Taxes	211,749
Cash Received from Grants	199,080
Cash Payments made to Suppliers, Employees and Professionals	<u>(1,030,680)</u>
Net Cash Provided by Operating Activities	<u>496,234</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Interfund Activity	106,817
Other Income	44,355
Interest Income	1,305
Transfers In/ (Out)	(88,000)
Customer Deposits (net)	<u>(123)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>64,354</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Long-term Debt	(148,243)
Interest Paid on Notes and Bonds	(175,002)
Additions of Capital Assets	<u>(210,722)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(533,967)</u>
Cash Flows from Investing Activities	
Redeem Sinking Fund	<u>39,300</u>
Net Cash Provided by Investing Activities	<u>39,300</u>
Net Increase / Decrease in Cash and Cash Equivalents	65,921
Cash and Cash Equivalents June 30, 2016	<u>219,223</u>
Cash and Cash Equivalents June 30, 2017	<u><u>285,144</u></u>
Cash and Cash Equivalents	169,252
Restricted Cash	<u>115,892</u>
Total Cash	<u><u>285,144</u></u>

City of Greensburg, Kentucky
Statement of Cash Flows - Continued
Proprietary Fund
For the Year Ended June 30, 2017

	Water and Sewer <u>Utility</u>
Reconciliation of Operating Profit to Net Cash Provided (Used) by Operating Activities	
Operating Income	1,494
Adjustments to reconcile operating profit/loss to net cash provided by operating activities	
Depreciation	448,818
Pension Expense	26,767
Changes In:	
Accounts Receivables	159,590
Prepaid Expenses	233
Accounts Payable	(210,119)
Accrued Expenses	8,520
Interest on Certificates of Deposit	(909)
Pension liabilities	61,840
Net Cash Provided by Operating Activities	<u><u>496,234</u></u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

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 Community Center departments, normally are supported by taxes and intergovernmental revenues. Governmental activities do not include Municipal Aid Activity. Governmental activities are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

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

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

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

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

The following fund types are used by the City:

Governmental Funds

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

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

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

Proprietary Funds

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

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, 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.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance of the governmental funds are classified as follows:

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

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

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

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

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

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

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

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

General Fund

The General Fund has unassigned fund balance of \$1,106,426 as of June 30, 2017. Prepaid expenses of \$15,528 are considered non-spendable.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$118,044. that are set aside for City road repairs.

Component Units

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

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures as based on cash receipts and expenditures. Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For the year ended June 30, 2017, actual appropriations exceeded budgeted levels in the general fund by \$112,724.

Cash and Deposits

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

Accounts Receivable

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

City of Greensburg, Kentucky
Notes to Financial Statements
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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 \$176,371 are included in the proprietary fund receivables. Proprietary fund receivables also includes \$50,085 of tax receivables related to the .5% occupational tax.

Internal Balances

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

Inventories

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

Restricted Assets

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

Capital Assets

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

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized. The City has established a threshold of \$10,000 for capitalization of depreciable assets.

City of Greensburg, Kentucky
Notes to Financial Statements
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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, 2017

Accrued Liabilities & 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 & Assumptions

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

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

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

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

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

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

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, 2017, 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, 2017. The categories of credit risk are defined as follows:

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

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Savings and time deposits	\$294,124	-	-	\$294,124	\$294,898
Demand Deposits	483,890	179,997	-	663,887	556,647
Total	\$778,014	\$179,997	-	\$958,011	\$851,545

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

Note C – Capital Assets

Capital Asset Class	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Governmental Activities:				
Land	\$319,034	\$ -	\$ -	\$319,034
Buildings	2,821,026	126,047	-	2,947,073
Equipment	1,864,896	72,465	-	1,937,361
Furniture	26,178	-	-	26,178
Software	27,619	-	-	27,619
Vehicles	455,161	65,900	-	521,061
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Total Capital Assets	<u>7,266,092</u>	<u>264,412</u>	<u>-</u>	<u>7,530,504</u>
Less Accumulated Depreciation:				
Buildings	(609,186)	(75,751)	-	(684,937)
Equipment	(474,299)	(129,984)	-	(604,283)
Furniture	(25,685)	(165)	-	(25,850)
Software	(27,619)	-	-	(27,619)
Vehicles	(395,242)	(45,070)	-	(440,311)
Streetscape	(476,464)	(31,351)	-	(507,815)
Connector Road	(45,122)	(3,223)	-	(48,345)
Total accumulated depreciation	<u>(2,053,617)</u>	<u>(285,544)</u>	<u>-</u>	<u>(2,339,160)</u>
Total capital assets, net	<u>\$5,212,475</u>	<u>(\$21,132)</u>	<u>-</u>	<u>\$5,191,344</u>
Business-Type Activities:				
Land	\$145,450	\$ -	\$ -	\$145,450
Buildings	77,731	-	-	77,731
Equipment	448,456	10,181	-	458,637
Sewer System	5,644,372	-	-	5,644,372
Vehicles	124,526	-	-	124,526
Water System	12,274,380	200,541	-	12,474,921
Total cost	<u>18,714,915</u>	<u>210,722</u>	<u>-</u>	<u>18,925,637</u>
Accumulated depreciation:				
Buildings	(77,731)	-	-	(77,731)
Equipment	(433,594)	(7,264)	-	(440,858)
Sewer System	(3,933,584)	(197,527)	-	(4,131,111)
Vehicles	(114,506)	(3,851)	-	(118,357)
Water System	(3,310,304)	(240,176)	-	(3,550,481)
Total accumulated depreciation	<u>(7,869,719)</u>	<u>(448,818)</u>	<u>-</u>	<u>(8,318,537)</u>
Total capital assets, net	<u>\$10,845,196</u>	<u>(\$238,096)</u>	<u>-</u>	<u>\$10,607,100</u>

Note D – Receivables

As of June 30, 2017, the Receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
AR- Bell Engineering	\$450	\$-
AR- Ecomonic development Support	521	-
AR- Delinquent Property Taxes	21,889	-
AR- Emergency 911	44,936	-
AR- Fire Dept.	2,000	-
AR- flowers	1,478	-
AR- Franchise Fees	7,724	-
AR- Pavilion Grant	36,000	-
AR- Rotary Club	1,022	-
AR- Insurance Premium Tax	31,501	-
AR- Insurance Proceeds	250	-
AR- KLEFPF	1,520	-
AR- Law Enforcement Revenue	3,002	-
AR- Other	3,200	-
AR- Police Drug fund Account	2,000	-
AR- Property Tax Revenue	465	-
AR- Stone Fort	3,425	-
AR-Net Profits Tax	772	-
AR-Occupational Taxes	100,169	50,084
AR- Utility Service Customers	-	176,371
Allowance for Doubtful Accounts	(10,000)	-
	<u>\$252,325</u>	<u>\$226,455</u>

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, 2017, the governmental debt of the City of Greensburg, Kentucky consisted of the following:

		<u>Balance</u>	<u>Current</u>
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.	\$100,000	\$25,000
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	28,792	12,756
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	326,978	23,287
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	1,091,665	82,083
Bank Loan #7100453682	Note payable with bank; original issue amount \$65,107; dated November 03, 2016; secured by fire truck; interest rate is 3.0% with final maturity date November 03, 2026.	<u>61,347</u>	<u>5,783</u>
	Total Notes Payable and Fixed Rate Swap Lease	<u>\$1,608,782</u>	<u>\$148,909</u>

Business-type Activities

As of June 30, 2017, the long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

		<u>Balance</u>	<u>Current</u>
KIA Water Tank	KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%	\$59,325	\$8,285
KBC Sewer Bond	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	1,112,917	65,000
USDA AR-1, Bond	United States Department of Agriculture (USDA) Rural Development, original issue \$2,616,000 due January 1, 2054, interest @ 2.00%, secured by Revenue bonds	2,569,500	47,500
USDA BR-1, Bond	United States Department of Agriculture (USDA) Rural Development, original issue \$455,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds	449,000	6,000
USDA CR-1, Bond	United States Department of Agriculture (USDA) Rural Development, original issue \$200,000 due January 1, 2054, interest @ 2.75%, secured by Revenue bonds	197,000	3,000
USDA RD 91-05	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	409,700	6,800
KLC Note- Waterlines	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	52,905	5,209
USDA RD 92-08	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	419,000	8,000
		<u>\$5,269,347</u>	<u>\$149,794</u>
	Total Bonds and Notes Payable		

<u>General Government Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
\$60,000, Note with bank, due Oct. 29, 2019, interest @ 3.00%, secured by police vehicles	\$41,421	\$-	(\$12,629)	\$28,792
\$75,236, Note with bank, due February 21, 2017, 3.25% interest annual interest, Secured by police vehicles (3)	13,030	-	(13,030)	0
\$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	-	(20,000)	100,000
Note payable with bank; original issue amount \$65,107; dated November 03, 2016; secured by fire truck; interest rate is 3.0% with final maturity date November 03, 2026.	-	65,107	(3,760)	61,347
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)	326,978
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	1,171,665	-	(80,000)	1,091,665
	<u>\$1,695,471</u>	<u>\$65,107</u>	<u>(\$151,796)</u>	<u>\$1,608,782</u>

Business-type Activities

	June 30, 2016	Additions	Reductions	June 30, 2017
KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest @ .75%	\$67,549	\$-	(\$8,223)	\$59,326
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)	1,112,917
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	-	(46,500)	2,569,500
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)	449,000
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)	197,000
United States Department of Agriculture (USDA) Rural Development, original issue \$450,000 due January 1, 2048, interest @ 4.125%, secured by Revenue bonds	416,200	-	(6,500)	409,700
Kentucky League of Cities Long- term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured by City Revenues	57,927	-	(5,020)	52,907
United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured	427,000	-	(8,000)	419,000
	<u>\$5,417,593</u>	<u>\$-</u>	<u>(\$148,243)</u>	<u>\$5,269,350</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental activities, as of June 30, 2017 are as follows:

General Government Activity						
	Bank Loan	KLC Loan	Bank Loan	Bank Loan	Loan #	
	7100419501	Series 2002A	7100453682	3087557	Ky Bond Corp.	Total
2018	\$12,996	\$28,684	\$7,544	\$35,910	\$124,263	\$209,397
2019	12,996	27,517	7,544	35,910	124,512	208,479
2020	3,249	26,353	7,544	35,910	123,832	196,889
2021	-	25,106	7,544	35,910	126,002	194,563
2022	-	-	7,544	35,910	125,926	169,381
2023-2027	-	-	32,687	179,551	630,309	842,547
2028-2031	-	-	-	47,898	124,110	172,009
Total	\$29,241	\$107,660	\$70,409	\$407,001	\$1,378,953	\$1,993,263

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the business-type activities, as of June 30, 2017 are as follows:

	<u>Business Type Activity</u>								<u>Total</u>
	Water Tank	Sewer	Water	Water	Water	Water 2009	Waterlines	Sewer 2011	
	<u>KIA</u> <u>Loan</u>	<u>KBC</u> <u>Sewer Bond</u>	<u>USDA</u> <u>Bond AR-1</u>	<u>USDA</u> <u>Bond BR-1</u>	<u>USDA</u> <u>Bond CR-1</u>	<u>USDA</u> <u>RD 91-05</u>	<u>KLC</u> <u>Note</u>	<u>USDA</u> <u>RD 92-08</u>	
2018	\$8,830	\$100,747	\$98,939	\$19,450	\$8,550	\$22,990	\$7,345	\$17,121	\$283,972
2019	8,813	101,368	98,939	19,450	8,550	22,990	7,345	17,121	284,576
2020	8,796	102,775	98,939	19,450	8,550	22,990	7,345	17,121	285,966
2021	8,780	100,908	98,939	19,450	8,550	22,990	7,345	17,121	284,083
2022	8,763	100,717	98,939	19,450	8,550	22,990	7,345	17,121	283,875
2023-2027	17,474	505,487	494,695	97,250	42,750	114,952	31,828	85,605	1,390,041
2028-2032	-	405,461	494,695	97,250	42,750	114,952	-	85,605	1,240,713
2033-2037	-	-	494,693	97,250	42,750	114,952	-	85,605	835,249
2038-2042	-	-	494,695	97,250	42,750	114,952	-	85,605	835,251
2043-2047	-	-	494,695	97,250	42,750	114,952	-	85,605	835,251
2048-2052	-	-	494,695	96,200	42,750	22,977	-	68,484	725,106
2053-2057	-	-	195,926	39,956	16,853	-	-	-	252,735
Total	\$61,455	\$1,417,462	\$3,658,789	\$719,656	\$316,103	\$712,685	\$68,553	\$582,111	\$7,536,819

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$148,909	\$60,488	\$209,397	\$149,794	\$134,178	\$283,972
2019	153,075	55,404	208,479	154,338	130,237	284,576
2020	146,593	50,295	196,889	158,821	127,146	285,966
2021	149,652	44,909	194,561	161,901	122,182	284,083
2022	128,828	40,552	169,380	165,567	118,308	283,875
2023-2027	718,074	124,475	842,549	865,144	524,897	1,390,041
2028-2032	163,650	8,356	172,006	848,984	391,729	1,240,713
2033-2037	-	-	-	541,800	293,449	835,249
2038-2042	-	-	-	611,800	223,451	835,251
2043-2047	-	-	-	694,700	140,551	835,251
2048-2052	-	-	-	669,500	55,606	725,106
2053-2057	-	-	-	247,000	5,735	252,735
Totals	<u>\$ 1,608,782</u>	<u>\$ 384,478</u>	<u>\$ 1,993,263</u>	<u>\$ 5,269,350</u>	<u>\$ 2,267,468</u>	<u>\$ 7,536,819</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

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, 2017, 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, 2017

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, 2017 the City's covered payroll for non-hazardous positions was \$668,023. 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, 2017.

Contribution rates are:	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	18.68%
Hazardous	8.0%-9.0%	31.06%

The City's contribution for the fiscal year ended June 30, 2017 was \$124,787 of which \$114,760 was contributed by the City and \$43,275 by the City's employees.

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

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	51,673	6,834	58,507
Inactive memberships	75,904	2,309	78,213
Active plan members	<u>83,346</u>	<u>9,139</u>	<u>92,485</u>
	<u>210,923</u>	<u>18,282</u>	<u>229,205</u>

Number of participating employers 1,140

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

At June 30, 2017, the City reported a liability of \$1,350,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.027% for non-hazardous.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Note J - Retirement Plan (Continued)

For the year ended June 30, 2017, the City recognized pension expense of \$140,898. At June 30, 2017, 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	\$ -	\$71,169
Differences between expected and actual results	5,896	-
Changes of assumptions	71,542	-
Net difference between projected and actual earnings on Plan investments	126,960	-
City contributions subsequent to the measurement date	<u>83,545</u>	<u> </u>
Total	<u>\$ 287,943</u>	<u>\$ 71,169</u>

The \$83,545 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, 2018. 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,		
2018	\$ 34,248	
2019	\$ 34,248	
2020	\$ 32,994	
2021	\$ 31,740	

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, 2017

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, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 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, 2017

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%	\$ 1,724,031
Current discount rate	7.5%	\$ 1,350,492
1% increase	8.5%	\$ 1,030,531

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Note J - Retirement Plan (Continued)

Payables to the pension plan: At June 30, 2017, the City reported a payable including insurance contributions of \$10,259 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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, 2017 was \$ 36,000 year.

Note L- Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 6, 2018 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, 2017, have not been evaluated by the City.

Note M- Post-Employment Health Care Benefits

Retired employees receive some health care benefits depending on their length of service. In accordance with KRS, these benefits are provided and advanced-funded on an actuarially determined basis through CERS. Covered employees hired after September 1, 2008 contribute 1.00% of their salaries to the CERS Insurance Fund. Ky. Retirement System issued a publicly available financial report that includes financial statements and required supplementary information for the CERS. The report may be obtained by writing to Ky. Retirement Systems, Perimeter Park West, 1260 Louisville Rd., Frankfort, Ky. 40601.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

Funding Policy - Employees working for city, county, and other local governments are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky.

Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

For the year ended June 30, 2017, KRS established a contribution rate of 5.08% for nonhazardous OPEB and the City contributed \$29,428 for nonhazardous duty OPEB.

For the year ended June 30, 2016, KRS established a contribution rate of 4.64% for nonhazardous OPEB and the City contributed \$29,432 for nonhazardous duty OPEB.

For the year ended June 30, 2015, KRS established a contribution rate of 4.92% for nonhazardous OPEB and the City contributed \$43,693 for nonhazardous duty OPEB.

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, General Government Fund
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Final Budget</u> <u>Variance</u>
Revenues				
Franchise Fees	\$130,000	\$130,000	\$ 133,842	\$3,842
Grant Revenues	194,639	194,639	199,246	4,607
Insurance Premium Tax	245,000	245,000	225,339	(19,661)
Interest Income	1,500	1,500	1,197	(303)
Intergovernmental Revenues	3,000	3,000	58,722	55,722
Occupational Tax	460,000	460,000	446,154	(13,846)
Other Revenues	158,900	158,900	111,879	(47,021)
Property Tax	223,800	223,800	214,640	(9,160)
Rent Income	89,700	89,700	88,135	(1,565)
Loan Proceeds	-	-	65,468	65,468
Transfers In/Out	66,800	66,800	116,300	49,500
Sale Proceeds	-	-	835	835
Total Revenues	<u>1,573,339 ✓</u>	<u>1,573,339 ✓</u>	<u>1,661,757 ✓</u>	<u>88,418</u>
Appropriations				
Administration	317,472	317,472	329,693	(12,221)
Debt Service	122,314	122,314	182,822	(60,508)
Capital Investment Plan	150,000	150,000	24,579	125,421
Community Center	18,594	18,594	11,270	7,324
Police	399,835	399,835	377,262	22,573
Fire	43,562	43,562	114,352	(70,790)
City Maintenance	374,701	374,701	373,603	1,098
Paddle Trail	20,630	20,630	21,263	(633)
Grant Expenses	209,639	209,639	334,627	(124,988)
Total Appropriations	<u>1,656,747</u>	<u>1,656,747</u>	<u>1,769,470</u>	<u>(112,724)</u>
Excess of Resources Over(Under) Appropriations	<u>(83,408)</u>	<u>(83,408)</u>	<u>(107,713)</u>	<u>(24,306)</u>
Fund Balance June 30, 2016	<u>982,860</u>	<u>982,860</u>	<u>1,229,667</u>	<u>(246,807)</u>
Fund Balance June 30, 2017	<u>\$899,452</u>	<u>\$899,452</u>	<u>\$1,121,954</u>	<u>(\$271,113)</u>

See notes to required supplementary information

City of Greensburg, Kentucky
Budgetary Comparison Schedule, Municipal Aid Fund
For the Year Ended June 30, 2017

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual <u>Amounts</u>	Final Budget <u>Variance</u>
Revenues				
Intergovernmental Revenue	\$49,000	\$49,000	\$48,447	(\$553)
Interest Income	-	-	79	79
Total Revenues	<u>49,000</u>	<u>49,000</u>	<u>48,526</u>	<u>(474)</u>
Appropriations				
Transfers Out	66,800	66,800	28,300	38,500
Total Appropriations	<u>66,800</u>	<u>66,800</u>	<u>28,300</u>	<u>38,500</u>
Excess of Resources Over(Under) Appropriations	(17,800)	(17,800)	20,226	38,026
Fund Balance July 1, 2016	39,690	39,690	97,817	65,083
Fund Balance June 30, 2017	<u>\$21,890</u>	<u>\$21,890</u>	<u>\$118,044</u>	<u>\$103,109</u>

City of Greensburg, Kentucky
 Budgetary Comparison Schedule, Water and Sewer Fund
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Final Budget</u> <u>Variance</u>
Revenues				
Charges for Service, Sewer	\$535,002	\$535,002	\$399,782	(\$135,220)
Charges for Service, Water	791,200	791,200	702,753	(88,447)
Occupational Taxes	-	-	192,828	192,828
Other Revenues	3,400	3,400	44,355	40,955
Water Connection Fees	-	-	13,550	13,550
Interest Income	-	-	1,305	1,305
Grant Revenues	-	-	199,080	199,080
Total Revenues	<u>1,329,602</u>	<u>1,329,602</u>	<u>1,553,653</u>	<u>224,051</u>
Appropriations				
Capital Outlay & Grant Expenses	-	-	210,722	(210,722)
Debt Retirement	392,184	392,184	323,245	68,939
Water Operations	443,748	443,748	667,649	(223,901)
Sewer Operations	428,183	428,183	453,118	(24,935)
Total Appropriations	<u>1,264,115</u>	<u>1,264,115</u>	<u>1,654,734</u>	<u>(390,619)</u>
Excess of Resources Over(Under) Appropriations	65,487	65,487	(101,081)	(166,568)
Transfers Out	-	-	(88,000)	(88,000)
Net Position July 1, 2016	<u>2,515,128</u>	<u>2,515,128</u>	<u>4,867,063</u>	<u>2,351,935</u>
Net Position June 30, 2017	<u>\$2,580,615</u>	<u>\$2,580,615</u>	<u>\$4,677,982</u>	<u>\$2,097,367</u>

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2017

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	(\$101,081)
Reconciling amounts:	
(Increase)/Decrease in long-term debt	148,243
Capitalized grant expenses	210,722
Depreciation	(448,818)
Pension expense	(26,765)
Other	<u>1,853</u>
Change in Net Position, GAAP Basis	<u>(\$215,846)</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, 2017 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2017 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	2017
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>
2013	\$23,136	\$55,000
2014	\$27,175	\$23,136
2015	\$47,065	\$50,000
2016	\$153,507	\$160,000
2017	\$ 53,869	\$50,000

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
	<u>Non- Hazardous</u>	<u>Non- Hazardous</u>	<u>Non- Hazardous</u>
City's proportion of the net pension liability (asset)	.031574%	.028036%	.02743%
City's proportionate share of the net pension liability (asset)	\$ 1,024,355	\$ 1,205,443	\$ 1,350,492
City's covered-employee payroll	\$ 751,89	\$ 701,228	\$ 614,346
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.20%	171.90%	219.83%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 132,848	\$ 119,630	\$ 114,760
Contributions in relation to the contractually required contribution	<u>(132,848)</u>	<u>(119,630)</u>	<u>(114,760)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered- employee payroll	\$ 751,829	\$ 701,228	\$ 614,346
Contributions as a % of Covered - employee payroll	17.67%	17.06%	18.68%

City of Greensburg, Kentucky
Schedule of General Government Activities
For the Year Ended June 30, 2017

	General Activities	Municipal Street Activities	Total
Expenditures			
Advertising	\$3,142	-	\$3,142
Automated Emergency Notification	3,000	-	3,000
Building Inspection Fees/Permit	11,715	-	11,715
CEP Testing per KRS	60	-	60
Code Enforcement Ordinances	9,848	-	9,848
Community Programs	12,330	-	12,330
Computer/Software	4,425	-	4,425
Contractual Services	744	-	744
Credit Card Fees	1,764	-	1,764
Debt Service	31,026	-	31,026
Depreciation expenses	285,544	-	285,544
Dues & Subscriptions	1,516	-	1,516
Economic Development	5,533	-	5,533
Fees	6,261	-	6,261
Fireman's Fees	6,086	-	6,086
Grant Expenses	148,426	-	148,426
Greensburg 20/20	102	-	102
Insurance	68,679	-	68,679
Interlocal Agreement	35,000	-	35,000
Job Equipment allowance	146	-	146
Neighborhood Parks	24,579	-	24,579
Mayor & City Council	6,872	-	6,872
Minor Equipment	922	-	922
Other Expenses	8,151	-	8,151
Paver-Bench-Lightpole Expenses	362	-	362
Pension Expense	31,423	-	31,423
Personnel	369,877	-	369,877
Personnel- Insurance Benefits	77,394	-	77,394
Personnel- Retirement	52,869	-	52,869
Personnel Taxes - FICA/MC	27,405	-	27,405
Planning and Zoning	345	-	345
Postage	2,547	-	2,547
Professional Fees	26,727	-	26,727
Repairs & Maintenance	98,227	-	98,227
Streets	53,869	-	53,869
Supplies	32,922	-	32,922
Travel & Training	5,004	-	5,004
Uniforms	1,261	-	1,261
Utilities	164,445	-	164,445
Vehicle Leases	5,069	-	5,069
Recycling Center	38,000	-	38,000
Web Site	6,612	-	6,612
Total Expenditures	\$1,670,229	\$0	\$1,670,229

Revenues

Franchise Fees	133,842	-	133,842
Grant Income	199,246	-	199,246
Interest Income	1,197	79	1,276
Intergovernmental revenue	2,700	48,447	51,147
KLEFPF	21,875	-	21,875
Fire Dept Reimbursement	5,500	-	5,500
Law Enforcement revenue	17,647	-	17,647
State Aid- Fire Dept.	11,000	-	11,000
Insurance Premium Taxes	225,339	-	225,339
Occupational Tax Revenue	412,965	-	412,965
Occupational taxes- Net Profits	33,189	-	33,189
Code Enforcement Revenue	5,418	-	5,418
Credit Card Convenience Fee	157	-	157
Other Income	37,691	-	37,691
Paddle Trail/Cabins Income	21,816	-	21,816
Pavers-Benches-Lightpole Income	2,720	-	2,720
Licenses/permits Income	22,470	-	22,470
Police Dept. Collections	910	-	910
School Resource Officer	11,025	-	11,025
Senior Center Utility reimbursement	9,675	-	9,675
Property Tax Revenue	195,331	-	195,331
Vehicle taxes	19,309	-	19,309
Rental Income	88,135	-	88,135
Sale proceeds	835	-	835
ONM Payback- Transfer from OM	88,000	-	88,000
Total Revenues	<u>1,567,992</u>	<u>48,526</u>	<u>1,616,518</u>
Net Revenues and Grant Revenue Over Expenditures and Transfers	<u>(102,237)</u>	<u>48,526</u>	<u>(53,711)</u>

City of Greensburg, Kentucky
Schedule of Sewer and Water Service Activities
For the Year Ended June 30, 2017

Operating Expenditures

Advertising	\$185
Chemicals	62,090
Computer/Software	6,569
Debt Service	175,002
Depreciation	448,818
Project Expenses	6,000
Insurance	69,162
Licenses	169
NPC Fees Expense- Water Dept	1,639
Other - Various	7,425
Pension Expense	26,767
Personnel	325,766
Personnel Benefits- Insurance	87,844
Personnel Benefits-Retirement	61,891
Personnel Taxes- FICA/MC	23,756
Postage	9,504
Professional Fees	23,910
Rent	36,000
Equipment/ Parts	212
Repairs & Maintenance	83,294
Sludge disposal	2,972
Supplies	15,220
Testing	25,609
Training and Travel	5,209
Transfers	88,000
Uniforms Allowance	1,080
Utilities	145,569
Vehicle Lease Expense	13,269
Water purchased	16,569
Total Expenditures	<u>\$1,769,500</u>

Revenues

Fees- Sewer	399,782
Fees- Water	702,753
Occupational Tax Revenue	192,828
Grant Income	199,080
Interest Income- Water	891
Interest Income-Sewer	414
Credit Card Convenience Fee	2,442
Other Income-Sewer	8,094
Other Income-Water	33,821
Water Meter Connection Income	13,550
Total Revenues	<u>\$1,553,654</u>

Net Revenues Over Expenditures (215,846)

**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, 2017, 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 January 6, 2018.

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
January 6, 2018
Richmond, Kentucky