

CITY OF GREENUP

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements -	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue - Street Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	19
Statement of Cash Flows - Proprietary Funds	20
Notes to Financial Statements.....	21-30
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	31-32
SCHEDULE OF FINDINGS AND RESPONSES	33-35



INDEPENDENT AUDITOR'S REPORT

The Honorable Lundie Meadows, Mayor
Members of the City Council
City of Greenup
Greenup, 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 Greenup, Kentucky (the "City") as of and for the year ended June 30, 2020, 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.

Auditor's 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 Greenup, Kentucky as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Street Fund for the year then ended in conformity 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 information on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023, on our consideration of the City of Greenup'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 solely 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 the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Kelley Gallaway Smith Goodby, PSC

Ashland, Kentucky
February 1, 2023

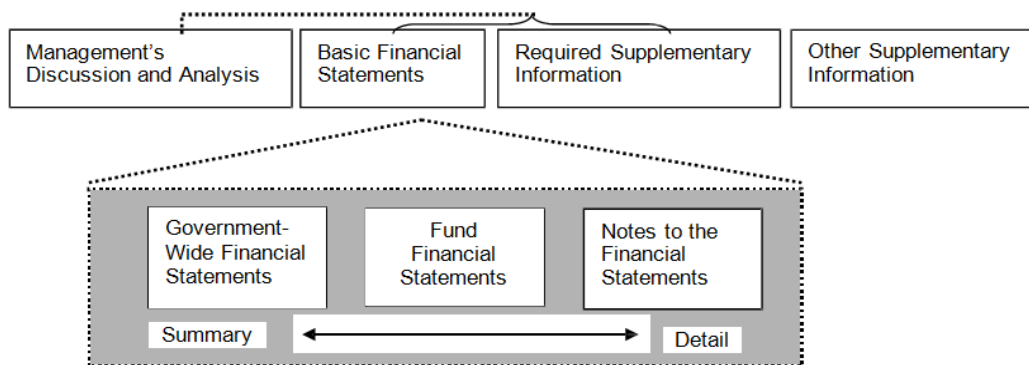
City of Greenup Management Discussion and Analysis

As management of the City of Greenup, Kentucky (the City), we offer readers of the City’s financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City’s financial activity, (3) identify changes in the City’s financial position, (4) identify any significant deviations from the approved annual budget, and (5) identify individual fund issues or concerns. Please read it in conjunction with the Basic Financial Statements immediately following this analysis.

Financial Highlights

- ⇒ The assets of the Government exceeded its liabilities at the end of the fiscal year by \$7,811,377 (net position). Governmental activities unrestricted net position is \$(35,108) and business type activities unrestricted net position is \$427,649.
- ⇒ The Government’s total net position decreased by \$(26,502). Net position of governmental activities decreased by \$(6,805) and net position of business-type activities decreased by \$(19,697).
- ⇒ At June 30, 2020, the governmental activities had \$607,458 in total assets and \$355,446 in total liabilities. Business type activities had \$10,959,737 in total assets and \$3,400,372 in total liabilities.
- ⇒ Long-Term Liabilities, including the current portion of long-term debt, totaled \$2,794,159 as of June 30, 2020. Compared to \$2,964,495 in the previous year. The difference of \$170,336 represents net debt service activities accomplished during fiscal year 2020.

Overview of Financial Statements



This discussion and analysis serves as an introduction to the city’s basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Reporting the Government as a Whole

The government-wide financial statements are designed to provide a broad overview of the City’s finances in a manner similar to those used by private businesses. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The activities of the City are broken into two columns on these statements – Governmental Activities and Business-Type Activities. A total column is also provided.

These statements present a financial picture of the Government as a whole through the use of a consolidated statement of all funds and eliminating interfund transfers. The value of fixed assets of governmental type operations is presented as well.

The statement of net position presents information on all of the City's assets and liabilities, both current and long-term. The difference between assets and liabilities is reported as net position. The focus on net position is designed to focus on government as a business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, to accurately assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base, GASB changes, and condition of infrastructure should also be considered.

The statement of activities presents information showing how the City's net position changed over the most recent fiscal year. Full accrual accounting is used for the government-wide financial statements and all changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. The statement is designed to show the extent to which the various functions depend on general taxes and revenue for support.

The government-wide statements divide the Government's activities into two kinds of activities:

Governmental activities - Most of the Government's basic services are reported here, including general (city) government, police, fire and street repair/improvement. Property taxes, insurance taxes and miscellaneous revenues finance most of these activities.

Business-type activities - Activities primarily paid for from charges and fees to cover the cost of services are reported here. This includes water production, sanitary sewer services and solid waste management.

Reporting the City's Most Significant Funds

Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Some funds are required to be established by local law or by bond covenants. However, many other funds are established to help control and manage money for a particular purpose. Two types of funds are presented in the fund financial statements: governmental funds and proprietary funds.

Governmental funds - Most of the Government's basic services are reported in the government funds. These statements provide a short-term view of general government operations and how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash.

Proprietary funds - The Government charges fees for Business-type services which are intended to cover the cost of providing those services. The governing body decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The subcategories of the funds include enterprise funds, which are business-type activities. The proprietary funds are reported in the same way that all activities are reported in the government-wide statements but the fund statements provide more detail. The City considers the Utility fund (water/sewer) to be its major proprietary fund.

Notes to the financial statements – The notes to the financial statements provide additional information essential to gaining a full understanding of the data provided in the government-wide and fund financial statements. They should be considered with the financial statements in their entirety.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the basic financial statements.

Analysis of the Government as a Whole

As of June 30, 2020, the Government as a whole had a net position greater than its liabilities by \$7,811,377. Net position of governmental activities was \$252,012 and decreased by \$6,805 over the prior year. Of these net assets \$287,120 is invested in capital assets (net of related debt), and \$(35,108) is unrestricted.

The net position of the Government's business-type activities is \$7,559,365 and decreased by \$19,697 over the prior year. Of this net position \$6,945,789 is invested in capital assets (net of related debt), \$185,927 is restricted and \$427,649 is unrestricted. The largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The city uses these capital assets to provide services to citizens and as a result, these assets are not available for future spending. The city's capital assets investment is reported net of related debt, but the resources needed to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

Currently the government, as a whole, has total unrestricted net position of \$392,541. Unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.

At the end of this fiscal year June 30, 2020 the City is able to report positive balances in all categories of total net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of the City's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 34,796	\$ (33,253)	\$ 1,510,205	\$ 1,317,281	\$ 1,545,001	\$ 1,284,028
Capital assets	<u>572,662</u>	<u>660,052</u>	<u>9,449,532</u>	<u>9,548,984</u>	<u>10,022,194</u>	<u>10,209,036</u>
Total assets	<u>607,458</u>	<u>626,799</u>	<u>10,959,737</u>	<u>10,866,265</u>	<u>11,567,195</u>	<u>11,493,064</u>
Current liabilities	85,746	77,622	1,049,878	783,459	1,135,624	861,081
Long-term liabilities	<u>269,700</u>	<u>290,360</u>	<u>2,350,494</u>	<u>2,503,744</u>	<u>2,620,194</u>	<u>2,794,104</u>
Total liabilities	<u>355,446</u>	<u>367,982</u>	<u>3,400,372</u>	<u>3,287,203</u>	<u>3,755,818</u>	<u>3,655,185</u>
Net assets						
Invested in capital assets net of related debt	287,120	354,671	6,945,789	6,894,688	7,232,909	7,249,359
Restricted	-	-	185,927	185,815	185,927	185,815
Unrestricted	<u>(35,108)</u>	<u>(95,854)</u>	<u>427,649</u>	<u>498,559</u>	<u>392,541</u>	<u>402,705</u>
Total net assets	<u>\$ 252,012</u>	<u>\$ 258,817</u>	<u>\$ 7,559,365</u>	<u>\$ 7,579,062</u>	<u>\$ 7,811,377</u>	<u>\$ 7,837,879</u>

Analysis of the City's Operations

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Taxes	\$ 275,318	\$ 235,172	\$ -	\$ -	\$ 275,318	\$ 235,172
Licenses and Permits	232,623	224,280	-	-	232,623	224,280
Fees and fines	102,901	100,129	-	-	102,901	100,129
Rental income	45,000	45,550	-	-	45,000	45,550
Charges for services	34,605	34,986	3,341,086	3,305,451	3,375,691	3,340,437
Grant/other income	76,845	94,446	901	657	77,746	95,103
Total	\$ 767,292	\$ 734,563	\$ 3,341,987	\$ 3,306,108	\$ 4,109,279	\$ 4,040,671
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General government	\$ 185,446	\$ 227,564	\$ -	\$ -	\$ 185,446	\$ 227,564
Police	373,155	306,613	-	-	373,155	306,613
Fire	163,558	166,107	-	-	163,558	166,107
Streets	38,440	21,262	-	-	38,440	21,262
Debt service	13,498	16,850	-	-	13,498	16,850
Total gov. activities	774,097	738,396	-	-	774,097	738,396
Utility fund			3,361,684	3,065,344	3,361,684	3,065,344
Total primary government					4,135,781	3,803,740
Change in net assets	(6,805)	(3,833)	(19,697)	240,764	(26,502)	236,931
Net assets beg. of year, June 30, 2019	258,817	262,650	7,579,062	7,338,298	7,837,879	7,600,948
Net assets end of year, June 30, 2020	\$ 252,012	\$ 258,817	\$ 7,559,365	\$ 7,579,062	\$ 7,811,377	\$ 7,837,879

Financial Analysis of the City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows or outflows and balances of spendable resources, which are useful in determining the City's financing requirements. Unreserved fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$(205,591). The General fund has a negative fund balance of \$(105,594) and a negative fund balance of \$(99,997) in the Street fund.

The General Fund at June 30, 2020 had revenues of \$743,634, expenditures of \$690,081 and a fund balance of \$(105,594).

The Municipal Aid Road Fund (Street Fund) at June 30, 2020 had revenues of \$11, expenditures of \$16,409 and a fund balance of \$(99,997).

Proprietary Funds

The City’s proprietary fund (Utility fund) or business-type activities had total assets of \$10,970,053 and total liabilities of \$3,410,688 leaving a net position of \$7,559,365. The Utility fund had \$3,341,086 in operating revenues and \$901 in interest income. Operating expense totaled \$3,289,501 and interest expense on debt service totaled \$72,183. The utility fund total expenses exceeded its revenues by \$(19,697).

Budgetary Highlights

The City adopted a balanced budget as required by Kentucky Revised Statues (KRS) for fiscal year 2020.

Asset and Debt Administration

The City’s investment in assets for governmental and business-type activities as of June 30, 2020 is \$373,955 for non-depreciable assets and \$9,648,239 for depreciable capital assets (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and construction in progress.

CAPITAL ASSETS

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2020</u>
Land	\$ 36,000	\$ 16,970	\$ 52,970
Construction In Progress	-	320,985	320,985
Buildings and improvements	265,605	230,506	496,111
Automotive equipment	1,179,569	247,232	1,426,801
Operating equipment	-	1,411,465	1,411,465
Office equipment	-	41,271	41,271
Infrastructure	463,639	-	463,639
Utility plant	-	18,692,617	18,692,617
	<u>1,944,813</u>	<u>20,961,046</u>	<u>22,905,859</u>
Less depreciation	<u>(1,372,151)</u>	<u>(11,511,514)</u>	<u>(12,883,665)</u>
Total	<u>\$ 572,662</u>	<u>\$ 9,449,532</u>	<u>\$ 10,022,194</u>

Debt

At the end of fiscal year 2020 the City had governmental activities debt of \$290,416 compared to \$310,199 at June 30, 2019, which represents an decrease of \$19,783. Business-type activities has debt of \$2,503,743 compared to \$2,654,296 at June 30, 2019, which represents a decrease of \$150,553. The following chart summarizes governmental debt and business-type debt.

<u>Government Activities Debt</u>	<u>Amount</u>
General fund lease payable at 4.33%	\$ 285,542
Compensated absences obligation	4,874
Total	<u>\$ 290,416</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue bonds	\$ 2,105,000
Loans payable	398,743
Total	<u>\$ 2,503,743</u>

Description of Municipal Debt

- ⇒ A lease for a fire truck. Balance at June 30, 2020 = \$285,542.
- ⇒ Utility revenue bonds payable for utility construction and maintenance. Various issues totaling \$2,105,000 at June 30, 2020. See the notes to the financial statements for additional detail.
- ⇒ Bank and infrastructure loans for utility construction and maintenance. Loans total \$398,743 at June 30, 2020. See the notes to the financial statements for additional detail.
- ⇒ Employee compensated absences payable after 60 days = \$4,874.

Economic Factors and Next Year's Budget

Unemployment rate for the City of Greenup for 2020 is approximately 7.5 %. This rate is above the State of Kentucky rate at 5.9% and the national rate of 6.7%.

Inflationary trends in the City are consistent with the state and national trends.

The following table summarizes the 2021 fiscal year budgeted expenses.

- ⇒ General Fund - \$864,581
- ⇒ Municipal Aid Program - \$75,255
- ⇒ Utility Fund - \$3,558,770
- ⇒ Total Budget - \$4,498,606

Request for Information

This financial report is designed to provide a general overview of financial data for the City of Greenup. Requests for additional information should be addressed to:

City of Greenup
1005 Walnut St
Greenup, KY 41144

CITY OF GREENUP
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 142,318	\$ 495,401	\$ 637,719
Accounts receivable	178,225	523,833	702,058
Allowance for uncollectible accounts	-	(141,437)	(141,437)
Internal balances, net	(301,113)	301,113	-
Other receivables	15,366	6,500	21,866
Restricted assets -			
Cash and cash equivalents	-	185,927	185,927
Materials and supplies inventory	-	138,868	138,868
Nondepreciable capital assets	36,000	337,955	373,955
Depreciable capital assets	1,908,813	20,623,091	22,531,904
Accumulated depreciation	(1,372,151)	(11,511,514)	(12,883,665)
 Total assets	 <u>607,458</u>	 <u>10,959,737</u>	 <u>11,567,195</u>
 Liabilities:			
Accounts payable	54,514	337,334	391,848
Other accrued liabilities	9,557	56,312	65,869
Customer deposits	-	486,712	486,712
Accrued compensated absences, current	959	16,271	17,230
Current portion of long-term debt	20,716	153,249	173,965
Accrued compensated absences, non-current	4,874	-	4,874
Capital lease obligations, non-current	264,826	-	264,826
Notes payable, non-current	-	367,577	367,577
Revenue bonds, non-current	-	1,982,917	1,982,917
 Total liabilities	 <u>355,446</u>	 <u>3,400,372</u>	 <u>3,755,818</u>
 Net Position:			
Net investment capital assets	287,120	6,945,789	7,232,909
Restricted	-	185,927	185,927
Unrestricted	(35,108)	427,649	392,541
 Total net position	 <u>\$ 252,012</u>	 <u>\$ 7,559,365</u>	 <u>\$ 7,811,377</u>

The accompanying notes to financial statements are
an integral part of this statement.

**CITY OF GREENUP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 185,446	\$ 34,605	\$ -	\$ -	\$ (150,841)	\$ -	\$ (150,841)
Police department	373,155	-	16,454	-	(356,701)	-	(356,701)
Street department	38,440	-	23,647	-	(14,793)	-	(14,793)
Fire department	163,558	-	11,000	-	(152,558)	-	(152,558)
Interest expense	13,498	-	-	-	(13,498)	-	(13,498)
Total governmental activities	<u>774,097</u>	<u>34,605</u>	<u>51,101</u>	<u>-</u>	<u>(688,391)</u>	<u>-</u>	<u>(688,391)</u>
Business-Type Activities:							
Utilities	3,361,684	3,341,086	-	-	-	(20,598)	(20,598)
Total business-type activities	<u>3,361,684</u>	<u>3,341,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,598)</u>	<u>(20,598)</u>
Total primary government	<u>\$ 4,135,781</u>	<u>\$ 3,375,691</u>	<u>\$ 51,101</u>	<u>\$ -</u>	<u>\$ (688,391)</u>	<u>\$ (20,598)</u>	<u>\$ (708,989)</u>
General Revenues:							
Property and other local taxes					\$ 275,318	\$ -	\$ 275,318
Franchise fees					102,901	-	102,901
Rental income					45,000	-	45,000
Occupational license fees					232,623	-	232,623
Interest income					203	901	1,104
Other income					25,541	-	25,541
Total general revenues					<u>681,586</u>	<u>901</u>	<u>682,487</u>
Change in net position					(6,805)	(19,697)	(26,502)
Net position, June 30, 2019					<u>258,817</u>	<u>7,579,062</u>	<u>7,837,879</u>
Net position, June 30, 2020					<u>\$ 252,012</u>	<u>\$ 7,559,365</u>	<u>\$ 7,811,377</u>

The accompanying notes to financial statements are
an integral part of this statement.

**CITY OF GREENUP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Special Revenue Fund Street Fund	Total Governmental Funds
Assets			
Cash	\$ 131,196	\$ 11,122	\$ 142,318
Garbage fees receivable	2,868	-	2,868
Other receivables	15,366	-	15,366
Due from other funds	121,435	10,316	131,751
	<u>270,865</u>	<u>21,438</u>	<u>292,303</u>
Total assets	<u>\$ 270,865</u>	<u>\$ 21,438</u>	<u>\$ 292,303</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 54,514	\$ -	\$ 54,514
Accrued wages	2,986	-	2,986
Due to other funds	311,429	121,435	432,864
Accrued expenses	6,571	-	6,571
Accrued compensated absences	959	-	959
	<u>376,459</u>	<u>121,435</u>	<u>497,894</u>
Total liabilities	<u>376,459</u>	<u>121,435</u>	<u>497,894</u>
Fund balances			
Assigned for special revenue funds	-	-	-
Unassigned	(105,594)	(99,997)	(205,591)
	<u>(105,594)</u>	<u>(99,997)</u>	<u>(205,591)</u>
Total fund balances	<u>(105,594)</u>	<u>(99,997)</u>	<u>(205,591)</u>
Total liabilities and fund balances	<u>\$ 270,865</u>	<u>\$ 21,438</u>	<u>\$ 292,303</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances - Governmental Funds		\$ (205,591)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$1,944,813 net of accumulated depreciation of \$1,372,151 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		572,662
Municipal Road Aid funds were not collected within the current period and therefore are not reported in the governmental funds.		175,357
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Capital lease obligation	(285,542)	
Accrued compensated absences	<u>(4,874)</u>	<u>(290,416)</u>
Net position - Governmental Activities		<u><u>\$ 252,012</u></u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General	Special Revenue Fund Street Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 71,424	\$ -	\$ 71,424
Vehicle taxes	16,900	-	16,900
Occupational license fees	225,148	-	225,148
Business license fees	7,475	-	7,475
Franchise taxes	102,901	-	102,901
Insurance taxes	186,994	-	186,994
Garbage fees	34,605	-	34,605
Intergovernmental revenues	27,454	-	27,454
Interest	192	11	203
Rent	45,000	-	45,000
Other income	25,541	-	25,541
	<u>743,634</u>	<u>11</u>	<u>743,645</u>
Expenditures			
General government	175,186	-	175,186
Police department	380,747	-	380,747
Street department	-	16,409	16,409
Fire department	100,811	-	100,811
Debt service:			
Principal retirement	19,839	-	19,839
Interest	13,498	-	13,498
	<u>690,081</u>	<u>16,409</u>	<u>706,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,553</u>	<u>(16,398)</u>	<u>37,155</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	53,553	(16,398)	37,155
Fund balances, beginning of year	<u>(159,147)</u>	<u>(83,599)</u>	<u>(242,746)</u>
Fund balances, end of year	<u>\$ (105,594)</u>	<u>\$ (99,997)</u>	<u>\$ (205,591)</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - Governmental Funds \$ 37,155

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	31,084	
Depreciation	<u>(118,474)</u>	(87,390)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items. 19,839

Municipal Road Aid funds were not collected within the current period and therefore are not reported in governmental funds in the current period. However, these funds were recorded in the statement of activities. 23,647

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued compensated absences		<u>(56)</u>
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Change in net position of Governmental Activities \$ (6,805)

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property and other local taxes	\$ 329,340	\$ 329,340	\$ 378,219	\$ 48,879
Intergovernmental revenues	23,206	23,206	27,454	4,248
Charges for service	35,115	35,115	34,605	(510)
Rental income	45,600	45,600	45,000	(600)
Licenses and permits	198,930	198,930	232,623	33,693
Other income	30,990	30,990	25,733	(5,257)
Total revenues	<u>663,181</u>	<u>663,181</u>	<u>743,634</u>	<u>80,453</u>
Expenditures				
General government	244,740	244,740	175,186	69,554
Police	264,111	264,111	380,747	(116,636)
Fire	392,524	392,524	100,811	291,713
Debt service	61,806	61,806	33,337	28,469
Total expenditures	<u>963,181</u>	<u>963,181</u>	<u>690,081</u>	<u>273,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>53,553</u>	<u>353,553</u>
Other Financing Sources (Uses)				
Loan proceeds	300,000	300,000	-	(300,000)
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Net change in fund balance	-	-	53,553	53,553
Fund balance, beginning of year	<u>(159,147)</u>	<u>(159,147)</u>	<u>(159,147)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (159,147)</u>	<u>\$ (159,147)</u>	<u>\$ (105,594)</u>	<u>\$ 53,553</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental revenues	\$ 26,320	\$ 26,320	\$ -	\$ (26,320)
Other income	5	5	11	6
Total revenues	<u>26,325</u>	<u>26,325</u>	<u>11</u>	<u>(26,314)</u>
Expenditures				
Street department	<u>56,325</u>	<u>56,325</u>	<u>16,409</u>	<u>39,916</u>
Total expenditures	<u>56,325</u>	<u>56,325</u>	<u>16,409</u>	<u>39,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>(16,398)</u>	<u>13,602</u>
Net change in fund balance	(30,000)	(30,000)	(16,398)	13,602
Fund balance, beginning of year	<u>30,000</u>	<u>30,000</u>	<u>(83,599)</u>	<u>(113,599)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,997)</u>	<u>\$ (99,997)</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 495,401
Accounts receivable	523,833
Allowance for doubtful accounts	(141,437)
Other receivables	6,500
Due from other funds	311,429
Materials and supplies inventory	138,868
Total current assets	<u>1,334,594</u>
Restricted Assets:	
Cash and cash equivalents	185,927
Total restricted assets	<u>185,927</u>
Capital Assets:	
Property, plant and equipment	20,961,046
Less: Accumulated depreciation	(11,511,514)
Total capital assets - net	<u>9,449,532</u>
Total assets	<u>10,970,053</u>
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts payable	337,334
Accrued wages	8,005
Accrued compensated absences	16,271
Accrued expenses	43,183
Accrued interest payable	5,124
Due to other funds	10,316
Customer deposits	486,712
Current portion of bonds payable	122,083
Current portion of notes payable	31,166
Total current liabilities	<u>1,060,194</u>
Long-term liabilities:	
Revenue bonds payable	1,982,917
Notes payable	367,577
Total long-term liabilities	<u>2,350,494</u>
Total liabilities	<u>3,410,688</u>
NET POSITION:	
Net investment in capital assets	6,945,789
Restricted for debt payment and capital outlay	185,927
Unrestricted	427,649
Total net position	<u>\$ 7,559,365</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Utility Fund
OPERATING REVENUES:	
Water sales	\$ 3,040,264
Sewer service	250,946
Miscellaneous	49,876
Total operating revenues	3,341,086
OPERATING EXPENSES:	
Salaries, wages and related expenses	733,309
Health insurance	236,045
Contractual services	223,479
Materials and supplies	501,997
Repairs and maintenance	262,247
Fuel and oil	25,128
Utilities	327,897
Insurance	57,436
Office supplies	48,769
Rent	45,000
Depreciation	499,961
Sewer treatment costs	255,210
Miscellaneous	73,023
Total operating expenses	3,289,501
OPERATING INCOME	51,585
NON-OPERATING REVENUES (EXPENSES):	
Interest income	901
Interest expense	(72,183)
Total non-operating revenues (expenses)	(71,282)
DECREASE IN NET POSITION	(19,697)
NET POSITION, JUNE 30, 2019	7,579,062
NET POSITION, JUNE 30, 2020	\$ 7,559,365

The accompanying notes to financial statements are
an integral part of this statement.

**CITY OF GREENUP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,290,368
Cash payments to suppliers for goods and services	(1,907,591)
Cash payments to employees	(729,987)
Other operating revenues	49,876
Net cash provided by operating activities	<u>702,666</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(400,509)
Principal paid on long-term debt	(150,553)
Interest paid on long-term debt	(72,421)
Net cash used for capital and related financing activities	<u>(623,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>901</u>
Net cash provided by investing activities	<u>901</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,084
CASH AND CASH EQUIVALENTS, June 30, 2019	<u>601,244</u>
CASH AND CASH EQUIVALENTS, June 30, 2020	<u><u>\$ 681,328</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 51,585
Adjustments:	
Depreciation	499,961
Changes in assets and liabilities:	
Increase in accounts receivable	(35,614)
Increase in other receivables	(6,500)
Increase in inventories	(17,708)
Increase in due from other funds	(53,018)
Increase in accounts payable	204,576
Increase in accrued wages	3,025
Increase in accrued compensated absences	297
Increase in other accrued liabilities	21,290
Increase in customer deposits	34,772
Net cash provided by operating activities	<u><u>\$ 702,666</u></u>
 CASH AND CASH EQUIVALENTS, AT END OF YEAR:	
Cash and cash equivalents	\$ 495,401
Restricted cash and cash equivalents	<u>185,927</u>
	<u><u>\$ 681,328</u></u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF GREENUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Greenup, Kentucky ("the City") was incorporated in the year of 1818 and operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), street maintenance, water, solid waste management, wastewater treatment, recreation, public improvements and general administrative services.

The accounting policies of the City of Greenup, Kentucky conform to generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon these criteria, the City has no component units to be reported in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The City considers all governmental and proprietary funds to be major funds, due to their belief that all of these funds present financial information which is important to the financial statement users. Thus, individual governmental funds and individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City's only special revenue fund is the Street Fund.

The City reports the following Proprietary Fund:

Utility Fund - The Utility Fund is used to account for water and wastewater (sewer) services for the City and surrounding communities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues 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's Enterprise Funds, are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgeting

The City follows the procedures established by the Department for Local Government pursuant to Section 91A.050 of the Kentucky Revised Statutes in establishing budgetary data.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid financial instruments with a maturity of three months or less to be cash equivalents (including those held as restricted assets).

Property Tax

Property taxes are generally levied on November 30 of each year based upon the assessed value as of February 1. The lien date for assessed taxes is March 1 of each fiscal year. Taxes are payable on or before March 1 of the following year. All unpaid taxes become delinquent after that date. An allowance is established for delinquent taxes to the extent that their collectability is improbable. The assessed value of property upon which the levy for the 2020 fiscal year was based was \$41,097,003. The tax rate assessed for the year ended June 30, 2020 to finance general fund operations was \$.1455 per \$100 of valuation on real and tangible property.

The City has enacted an ordinance providing for eight percent tax on all insurance premiums covering property within the City limits. The tax is paid to the Kentucky Department of Insurance who in turn forwards the tax collections to the City.

Inventories

Inventories are valued at cost (first-in, first-out method). Inventory in the Utility Fund consist of chemicals, repair parts, and other supplies.

Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress.

The City provides for depreciation and obsolescence of such assets by annual charges to expense. These charges are calculated to depreciate, on a straight-line basis, the gross carrying amounts of depreciable assets over the following expected useful lives:

Buildings and improvements	7-40 years
Infrastructure	10 years
Vehicles and equipment	3-10 years
Office equipment	5 years
Other equipment	5-10 years
Sewer system	5-40 years
Water system	5-40 years

The City has elected not to report major general infrastructure assets retroactively; and therefore, infrastructure assets constructed prior to July 1, 2003 are not included in the City's financial statements.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect any such transactions as transfers.

Interfund Receivables and Payable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Compensated Absences

The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relates to rights attributable to employee services already rendered, (2) relates to rights that vest or accumulate, (3) where payment is probable, and (4) where amounts can be reasonably estimated. Amounts that normally would be paid with expendable available financial resources are recorded in the Governmental Fund Financial Statements. Amounts paid or payable within 60 days are deemed to be payable from expendable available resources. Liabilities for compensated absences are recorded in full in the Government-wide and Proprietary Fund financial statements.

Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance - amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Council or by an official or body to which the City delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to June 30, 2019 information to conform with the 2020 presentation.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the City beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 was effective for the City beginning with its year ending June 30, 2020. The adoption of this statement did not have a material effect on the financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (“GASB 91”), which aims to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 achieves those objectives by (1) clarifying the existing definition of a conduit debt obligation; (2) establishing that a conduit debt obligation is not a liability of the issuer; (3) establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and (4) improving required note disclosures. This Statement addresses arrangements (i.e., often characterized as leases) that are associated with conduit debt obligations. In such arrangements, (1) capital assets are constructed or acquired from the proceeds of a conduit debt obligation and are used by third-party obligors in the course of their activities; (2) payments from third-party obligors are intended to cover and coincide with debt service payments; (3) issuers retain the titles to the capital assets, which may or may not pass to the obligors at the end of the arrangements, depending upon the circumstances; and (4) issuers should neither report those arrangements as leases, nor recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additionally, this Statement requires issuers to disclose general information concerning their conduit debt obligations, organized by type of commitment(s). Issuers that recognize liabilities related to conduit debt obligations also should disclose information concerning the amount recognized and the manner in which the liabilities changed during the reporting period. GASB 91 is effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the City’s

financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

(2) DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. This requires deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City does not have a formal policy regarding custodial credit risk.

At June 30, 2020, the carrying amount of the City’s deposits (including amounts in restricted asset accounts) was \$823,646 and the bank balances totaled \$887,060. The difference between the carrying amounts and the bank balances was due to items in transit. The total of the bank balances were insured or collateralized with securities held by the City’s agents in the City’s name.

(3) CAPITAL ASSETS

A summary of changes in the City’s capital assets is as follows:

	June 30, 2019	Increases	Decreases	June 30, 2020
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Capital Assets, Depreciated:				
Buildings	242,271	23,334	-	265,605
Automobiles and equipment	1,171,819	7,750	-	1,179,569
Infrastructure	463,639	-	-	463,639
Totals	<u>1,913,729</u>	<u>31,084</u>	<u>-</u>	<u>1,944,813</u>
Accumulated Depreciation:				
Buildings	172,927	12,141	-	185,068
Automobiles and equipment	747,356	83,619	-	830,975
Infrastructure	333,394	22,714	-	356,108
Totals	<u>1,253,677</u>	<u>118,474</u>	<u>-</u>	<u>1,372,151</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 660,052</u>	<u>\$ (87,390)</u>	<u>\$ -</u>	<u>\$ 572,662</u>

Business-type Activities

Capital Assets, Not Depreciated:

Land	\$ 16,970	\$ -	\$ -	\$ 16,970
Construction in progress	902,975	320,985	(902,975)	320,985

Capital Assets, Depreciated:

Buildings	180,000	-	-	180,000
Building improvements	50,506	-	-	50,506
Office equipment	41,271	-	-	41,271
Automobiles and trucks	247,232	-	-	247,232
Other equipment	1,374,542	36,923	-	1,411,465
Operating plant and distribution system	17,747,041	945,576	-	18,692,617
Totals	<u>20,560,537</u>	<u>1,303,484</u>	<u>(902,975)</u>	<u>20,961,046</u>

Less accumulated depreciation	<u>11,011,553</u>	<u>499,961</u>	<u>-</u>	<u>11,511,514</u>
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Business-type Activities

Capital Assets, Net	<u>\$ 9,548,984</u>	<u>\$ 803,523</u>	<u>\$ (902,975)</u>	<u>\$ 9,449,532</u>
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Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 10,204
Police	23,492
Streets	22,031
Fire	62,747
	<u>\$ 118,474</u>

Business-type activities:

Utilities	\$ 499,961
	<u>\$ 499,961</u>

(4) LONG-TERM LIABILITIES

A summary of changes in the City's long-term liabilities is as follows:

	Balance			Balance	Due within
<u>Governmental Activities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>one year</u>
Other liabilities:					
Lease payable, 4.33% due August 12, 2030	\$ 305,381	\$ -	\$ 19,839	\$ 285,542	\$ 20,716
Compensated absences	<u>4,818</u>	<u>56</u>	<u>-</u>	<u>4,874</u>	<u>-</u>
Total Governmental Activities	<u>\$ 310,199</u>	<u>\$ 56</u>	<u>\$ 19,839</u>	<u>\$ 290,416</u>	<u>\$ 20,716</u>
	Balance			Balance	Due within
<u>Business-type Activities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>one year</u>
Bonds payable:					
2012F revenue bonds 2%-3%, due 2038	\$ 2,225,000	\$ -	\$ 120,000	\$ 2,105,000	\$ 122,083
Loans payable:					
Kentucky infrastructure loan payable, 2.0%, due 2032	<u>429,296</u>	<u>-</u>	<u>30,553</u>	<u>398,743</u>	<u>31,166</u>
Total Business-type Activities	<u>\$ 2,654,296</u>	<u>\$ -</u>	<u>\$ 150,553</u>	<u>\$ 2,503,743</u>	<u>\$ 153,249</u>

Governmental Activities

Capital Lease - On August 12, 2015, the City entered into a lease agreement with the option to purchase a fire truck. The payment schedule calls for 15 annual installments of \$33,337 and is due on August 12, 2030. The interest rate on the lease is 4.33%. At June 30, 2020, \$360,000 has been capitalized under the capital lease with \$124,000 in related accumulated depreciation.

The minimum principal and interest repayment requirements on the capital lease obligations at June 30, 2020 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 20,716	\$ 12,621	\$ 33,337
2022	21,632	11,705	33,337
2023	22,588	10,749	33,337
2024	23,586	9,751	33,337
2025	24,629	8,708	33,337
2026-2030	140,466	26,219	166,685
2031	31,925	1,412	33,337
	<u>\$ 285,542</u>	<u>\$ 81,165</u>	<u>\$ 366,707</u>

Business-type Activities

On December 20, 2012, the City issued \$4,150,000 in refunding bonds with rates ranging from 2%-3% to current refund \$2,883,100 of the series of 1975-2004 bonds with rates ranging from 4.5%-7.5%, \$192,208 of the bank loan with a rate of 5.25%, and \$576,721 of the radio meter capital lease with a rate of 5.04%. At June 30, 2020, \$2,105,000 was included in revenue bonds payable

The revenue bonds are secured by an exclusive pledge of the gross revenues derived from operations of the City's water and sewer systems. In order to retire the bonds, the City is required to make monthly deposits to a sinking fund equal to one-sixth of the next succeeding semi-annual interest payment plus one-twelfth of the next annual principal payment.

During 2010, the City secured a construction loan of \$1,381,963 from the Kentucky Infrastructure Authority to finance a waterline extension project to provide water services to approximately 300 residential users. During the course of the project, \$747,642 of the principal was forgiven under the American Recovery and Reinvestment Act of 2009. Full principal and interest payments on the remaining amount of \$634,321 commenced during fiscal year 2013. At June 30, 2020, \$398,743 was included in notes payable.

The loan payable to the Kentucky Infrastructure Authority is secured by a pledge of the gross revenues derived from the operations of the City's sewer system. The security interest and source of payment is subordinate to the revenue bonds.

The minimum principal and interest repayment requirements on the City's debt for business-type activities at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 153,249	\$ 69,029	\$ 222,278
2022	158,875	65,578	224,453
2023	162,431	61,999	224,430
2024	165,166	58,341	223,507
2025	168,748	54,510	223,258
2026-2030	800,028	208,431	1,008,459
2031-2035	647,745	99,514	747,259
2036-2038	247,501	16,148	263,649
	<u>\$ 2,503,743</u>	<u>\$ 633,550</u>	<u>\$ 3,137,293</u>

(5) INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Utility Fund	General Fund	Operations	\$ 311,429
General Fund	Street Fund	Operations	121,435
Street Fund	Utility Fund	Operations	10,316
Total			<u>\$ 443,180</u>

(6) RESTRICTED ASSETS

Debt Service Reserve Fund

At June 30, 2020, the city was required to have \$103,750 for the 2012F revenue bonds in a debt service reserve fund. As of June 30, 2020, the City had reserve funds equal to the required amount.

KIA Replacement and Debt Service Reserve

Under the KIA loan agreement, the City is required to set aside \$4,000 annually to provide payment of the costs of extensions, improvements, renewals and replacements to the sewer system, until the reserve account attains the required level of \$40,000. The balance of the replacement reserve account at June 30, 2020 was \$82,177, which is more than the required amount of \$32,000.

(7) RISK MANAGEMENT

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City of Greenup has purchased certain policies which are retrospectively rated which include workers compensation.

(8) PENSION PLAN

During 2002, the City began making contributions to a simplified employee plan (SEP) on behalf of its employees. All employees are immediately eligible to participate and are 100% vested. The City contributes 5% of each employee's gross wages to the plan. Pension expense for the year ended June 30, 2020, was \$28,271.

(9) CONTINGENCIES

The City is subject to certain legal proceedings arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(10) ECONOMIC UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact future operations. The result of such future, financial impact is not known at this time.

**INDEPENDENT AUDITOR'S 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***

The Honorable Lundie Meadows, Mayor
Members of the City Council
City of Greenup
Greenup, 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 and each major fund of the City of Greenup, Kentucky (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 1, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control over financial reporting that we considered to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses (2020-001) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (2020-002, 2020-003, 2020-004, 2020-005 and 2020-006).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2020-004.

City of Greenup, Kentucky's Response to Findings

City of Greenup's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Greenup's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Kelley Galloway Smith Goodley, PSC

Ashland, Kentucky
February 1, 2023

CITY OF GREENUP
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

Finding 2020-001 Segregation of Duties:

Condition: Review of internal control over accounting procedures indicates that there is a lack of segregation of duties. Specifically, the city clerk has duties relating to cash receipts, cash disbursements, payroll and all other accounting and recording activities and is also an authorized check signer.

Criteria: Proper internal control over accounting procedures cannot be maintained without adequate segregation of duties.

Effect: Lack of proper internal control over accounting procedures could subject the City's assets to risk.

Recommendation: We recommend that these duties be separated by utilizing existing personnel where possible.

Management Response: Accountant records payroll, reviews accounts payable, reconciles all cash and utility clerks enter majority of cash receipts. With small staff, duties have been segregated as much as possible.

Finding 2020-002 Cash Disbursements:

Condition: During our testing of cash disbursements, we noted that purchase orders are not being properly utilized. We noted several instances in which purchase orders were either not used, or lacked an approval signature.

Criteria: All payments for the procurement of goods or services should be supported by approved purchase orders to ensure the obligation was an appropriate use of public funds.

Effect: Failure to require approval for purchases of goods or services could potentially result in inappropriate expenditures not being detected in a timely manner.

Recommendation: We recommend that all disbursements for goods and services be supported by approved purchase orders to ensure the obligation was actually incurred and the disbursement was an appropriate use of public funds.

Management Response: Purchase orders will be utilized and new purchase order process will be implemented.

Finding 2020-003 Utility Adjustments:

Condition: During our testing of utility adjustments, we noted that several adjustment forms were not properly completed. This included missing signatures of the person completing the adjustment form and the person approving the adjustment form. Also, utility adjustments were not reconciled to the general ledger.

Criteria: All utility adjustments should be properly documented with the signature of the person initiating and the person approving the adjustment, as well as documentation supporting the purpose of the adjustment, to ensure that all adjustments are allowable. Also, utility adjustments should be reconciled to the general ledger to ensure that an adjustment form has been completed for each adjustment.

Effect: Utility adjustments were not properly documented and inappropriate adjustments could potentially be recorded.

CITY OF GREENUP

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2020

Recommendation: We recommend that all utility adjustments include proper documentation and be reconciled to the general ledger on a monthly basis.

Management Response: Utility staff has been trained on how to properly document adjustments. Form was created where signatures need to be obtained. Utility adjustments are reconciled to the general ledger on a monthly basis. Form has section for adequate description of why adjustment is being completed. Also, staff have been trained in billing procedures and City now has more experienced staff in this area.

Finding 2020-004 Budget:

Condition: During the year ended June 30, 2020, expenditures exceeded appropriated amounts as follows:

<u>Fund</u>	<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Police	264,111	380,747	116,636

Additionally, the General Fund had a deficit fund balance of \$105,594 at June 30, 2020.

Effect: Noncompliance with KRS 91A.030.

Recommendation: We recommend that the City implement a process whereby they monitor the budget versus actual financial results monthly in order to identify the need for budgetary amendments prior to the end of the fiscal year.

Management Response: Deficit Fund balance is being addressed since the adoption of the Occupational License Fee. Financial statements show significant progress in addressing this issue. City budgets are presented to Council with excess revenues over expenditures to reduce deficit fund balance. Budget is being monitored closely.

Finding 2020-005 Utility Delinquent Accounts:

Condition: During our testing of utility accounts receivable, it was noted that the billing register included several large past due balances that had been past due for an extended period of time.

Effect: Allowing a large utility balance to accumulate reduces the ability of the customer to pay the balance and, ultimately, the likelihood of collection to the City.

Recommendation: We recommend that the City implement procedures, in compliance with the guidelines of Executive Order 2020-881, to reduce these large balances and prevent future balances from becoming excessive.

Management Response: All current customers with delinquent accounts have had service turned off and they are scheduling regular turnoffs each month. Also, Accountant is working with attorney to initiate collection procedures on any inactive accounts.

Finding 2020-006 Timesheet Approval:

Condition: During our testing of payroll disbursements, several instances were noted in which timesheet approval was not documented.

CITY OF GREENUP

SCHEDULE OF FINDINGS AND RESPONSES (CONCLUDED)

JUNE 30, 2020

Effect: Lack of review of timesheets increases the potential risk of errors or irregularities in ensuring that employees are properly paid for the hours worked.

Recommendation: We recommend that the City implement procedures to ensure that approval of all timesheets is documented on the timesheet.

Management Response: Accountant has told the clerk that all timesheet approvals need to be made in the future. They need to be signed, so she knows that they have been reviewed.