

CITY OF GREENUP

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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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, 2021, 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, 2021, 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 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 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 August 25, 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
August 25, 2023

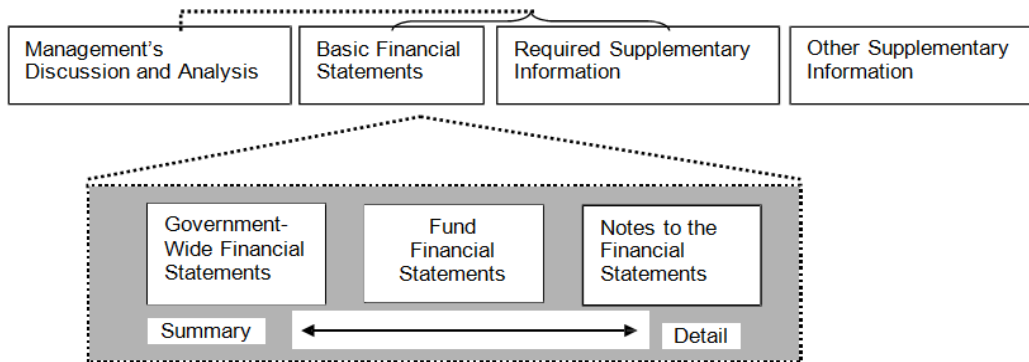
City of Greenup Management Discussion and Analysis

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, 2021. 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 \$8,007,947 (net position). Governmental activities unrestricted net position is \$(41,229) and business type activities unrestricted net position is \$484,773.
- ⇒ The Government’s total net position increased by \$196,570. Net position of governmental activities increased by \$191,805 and net position of business-type activities increased by \$4,765.
- ⇒ At June 30, 2021, the governmental activities had \$743,370 in total assets and \$299,553 in total liabilities. Business type activities had \$10,775,107 in total assets and \$3,210,977 in total liabilities.
- ⇒ Long-Term Liabilities totaled \$2,441,714 as of June 30, 2021. Compared to \$2,620,194 in the previous year. The difference of \$178,480 represents net debt service activities accomplished during fiscal year 2021.

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. This report also contains other supplemental information in addition to the basic 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 and in the supplementary information.

Analysis of the Government as a Whole

Net Position

As of June 30, 2021, the Government as a whole had a net position greater than its liabilities by \$8,007,947. Net position of governmental activities is \$443,817 and increased by \$191,805 over the prior year. Of these net assets \$485,046 is invested in capital assets (net of related debt), and \$(41,229) is unrestricted.

The net position of the Government's business-type activities is \$7,564,130 and increased by \$4,765 over the prior year. Of this net position \$6,893,448 is invested in capital assets (net of related debt), \$185,909 is restricted and \$484,773 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 a total unrestricted net position of \$443,544. Unrestricted net position is available to be used to meet the City's ongoing obligations to citizens and creditors.

At the end of this fiscal year June 30, 2021, 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ (6,502)	\$ 34,796	\$ 1,531,165	\$ 1,510,205	\$ 1,524,663	\$ 1,545,001
Capital assets	<u>749,872</u>	<u>572,662</u>	<u>9,243,942</u>	<u>9,449,532</u>	<u>9,993,814</u>	<u>10,022,194</u>
Total assets	<u>743,370</u>	<u>607,458</u>	<u>10,775,107</u>	<u>10,959,737</u>	<u>11,518,477</u>	<u>11,567,195</u>
Current liabilities	49,458	85,746	1,019,358	1,049,878	1,068,816	1,135,624
Long-term liabilities	<u>250,095</u>	<u>269,700</u>	<u>2,191,619</u>	<u>2,350,494</u>	<u>2,441,714</u>	<u>2,620,194</u>
Total liabilities	<u>299,553</u>	<u>355,446</u>	<u>3,210,977</u>	<u>3,400,372</u>	<u>3,510,530</u>	<u>3,755,818</u>
Net assets						
Invested in capital assets net of related debt	485,046	287,120	6,893,448	6,945,789	7,378,494	7,232,909
Restricted	-	-	185,909	185,927	185,909	185,927
Unrestricted	<u>(41,229)</u>	<u>(35,108)</u>	<u>484,773</u>	<u>427,649</u>	<u>443,544</u>	<u>392,541</u>
Total net assets	<u>\$ 443,817</u>	<u>\$ 252,012</u>	<u>\$ 7,564,130</u>	<u>\$ 7,559,365</u>	<u>\$ 8,007,947</u>	<u>\$ 7,811,377</u>

Analysis of the City's Operations

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Taxes	\$ 343,359	\$ 378,219	\$ -	\$ -	\$ 343,359	\$ 378,219
Licenses, Fees, Permits	250,455	232,623	-	-	250,455	232,623
Rental income	45,000	45,000	-	-	45,000	45,000
Charges for services	34,182	34,605	3,221,604	3,341,086	3,255,786	3,375,691
Grant/other income	<u>274,492</u>	<u>76,845</u>	<u>604</u>	<u>901</u>	<u>275,096</u>	<u>77,746</u>
Total	<u>\$ 947,488</u>	<u>\$ 767,292</u>	<u>\$ 3,222,208</u>	<u>\$ 3,341,987</u>	<u>\$ 4,169,696</u>	<u>\$ 4,109,279</u>
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General government	\$ 251,536	\$ 185,446	-	-	\$ 251,536	\$ 185,446
Police	349,427	373,155	-	-	349,427	373,155
Fire	112,305	163,558	-	-	112,305	163,558
Streets	29,794	38,440	-	-	29,794	38,440
Capital outlay	-	-	-	-	-	-
Debt services/Depreciation	<u>12,621</u>	<u>13,498</u>	-	-	<u>12,621</u>	<u>13,498</u>
Total governmental activities	<u>\$ 755,683</u>	<u>\$ 774,097</u>	<u>-</u>	<u>-</u>	<u>\$ 755,683</u>	<u>\$ 774,097</u>
Utility fund			<u>\$ 3,217,443</u>	<u>\$ 3,361,684</u>	<u>3,217,443</u>	<u>3,361,684</u>
Total primary government					<u>\$ 3,973,126</u>	<u>\$ 4,135,781</u>
Change in net assets	191,805	(6,805)	4,765	(19,697)	196,570	(26,502)
Net assets beginning of year, June 30, 2020	<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>
Net assets end of year, June 30, 2021,	<u>\$ 443,817</u>	<u>\$ 252,012</u>	<u>\$ 7,564,130</u>	<u>\$ 7,559,365</u>	<u>\$ 8,007,947</u>	<u>\$ 7,811,377</u>

Financial Analysis of the City's Funds

- A. 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 \$(232,776). The General fund has a fund balance of \$31,109 and a negative fund balance of \$(263,885) in the Street fund.

The General Fund at June 30, 2021 had revenues of \$924,390 and expenditures of \$787,687 and a fund balance of \$31,109.

The Municipal Aid Road Fund (Street Fund) at June 30, 2021 had revenues of \$7 and expenditures of \$163,895 and a fund balance of \$(263,885).

Proprietary Funds

The City’s proprietary fund (Utility fund) or business-type activities had total assets of \$10,785,423 and total liabilities of \$3,221,293 leaving a net position of \$7,564,130 The Utility fund had \$3,221,604 in operating revenues, and \$604 in interest income. Operating expense totaled \$3,148,413 and interest expense on debt service totaled \$69,030. The utility fund total revenues exceeded its expenses by \$4,765.

Budgetary Highlights

The City adopted a balanced budget as required by Kentucky Revised Statues (KRS) for fiscal year 2021.

Asset and Debt Administration

The City’s investment in assets for governmental and business-type activities as of June 30, 2021 is \$52,970 for land, construction in progress is \$644,732 and \$9,296,112 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.

CITY OF GREENUP-CAPITAL ASSETS

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2021</u>
Land	\$ 36,000	\$ 16,970	\$ 52,970
Construction In Progress	83,857	560,875	644,732
Buildings and improvements	265,605	230,506	496,111
Automotive equipment	1,216,761	295,096	1,511,857
Operating equipment	-	1,426,805	1,426,805
Office equipment	-	41,271	41,271
Infrastructure	627,534	-	627,534
Utility plant	-	18,692,617	18,692,617
	<u>2,229,757</u>	<u>21,264,140</u>	<u>23,493,897</u>
Less depreciation	<u>(1,479,885)</u>	<u>(12,020,198)</u>	<u>(13,500,083)</u>
Total	<u>\$ 749,872</u>	<u>\$ 9,243,942</u>	<u>\$ 9,993,814</u>

Debt

At the end of fiscal year 2021 the City had governmental activities debt of \$271,727 compared to \$290,416 at June 30, 2020, which represents an decrease of \$18,689. Business-type activities had debt of \$2,350,494 compared to \$2,503,743 at June 30, 2020, which represents a decrease of \$153,249. 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%	\$ 264,826
Compensated absences obligation	6,901
Total	<u>\$ 271,727</u>
 <u>Business-Type Activities Debt</u>	 <u>Amount</u>
Revenue bonds	\$ 1,982,917
Loans payable	367,577
Total	<u>\$ 2,350,494</u>

Description of Municipal Debt

- ⇒ A lease for a fire truck. Balance at June 30, 2021 = \$264,826
- ⇒ Utility revenue bonds payable for utility construction and maintenance. Various issues totaling \$1,982,917 at June 30, 2021. See audit notes for additional detail.
- ⇒ Bank and infrastructure loans for utility construction and maintenance. Loans total \$367,577 at June 30, 2021. See audit notes for additional detail.
- ⇒ Employee compensated absences payable after 60 days = \$6,901.

Economic Factors and Next Year's Budget

Unemployment rate for the City of Greenup for 2021 is approximately 6.5 %. This rate is above the State of Kentucky rate at 4.1% and the national rate of 3.9%.

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

The following table summarizes the 2022 fiscal year budgeted expenses.

- ⇒ General Fund - \$857,530
- ⇒ Municipal Aid Program - \$75,255
- ⇒ Utility Fund - \$3,577,276
- ⇒ Total Budget - \$4,510,061

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 Street
Greenup, KY 41144

CITY OF GREENUP
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 157,926	\$ 408,915	\$ 566,841
Accounts receivable	201,279	474,709	675,988
Allowance for uncollectible accounts	-	(87,431)	(87,431)
Internal balances, net	(383,672)	383,672	-
Other receivables	17,965	-	17,965
Restricted assets -			
Cash and cash equivalents	-	185,909	185,909
Materials and supplies inventory	-	165,391	165,391
Nondepreciable capital assets	119,857	577,845	697,702
Depreciable capital assets	2,109,900	20,686,295	22,796,195
Accumulated depreciation	(1,479,885)	(12,020,198)	(13,500,083)
 Total assets	 <u>743,370</u>	 <u>10,775,107</u>	 <u>11,518,477</u>
 Liabilities:			
Accounts payable	23,242	288,947	312,189
Other accrued liabilities	3,226	49,238	52,464
Customer deposits	-	513,282	513,282
Accrued compensated absences, current	1,358	9,016	10,374
Current portion of long-term debt	21,632	158,875	180,507
Accrued compensated absences, non-current	6,901	-	6,901
Capital lease obligations, non-current	243,194	-	243,194
Notes payable, non-current	-	335,785	335,785
Revenue bonds, non-current	-	1,855,834	1,855,834
 Total liabilities	 <u>299,553</u>	 <u>3,210,977</u>	 <u>3,510,530</u>
 Net Position:			
Net investment capital assets	485,046	6,893,448	7,378,494
Restricted	-	185,909	185,909
Unrestricted	(41,229)	484,773	443,544
 Total net position	 <u>\$ 443,817</u>	 <u>\$ 7,564,130</u>	 <u>\$ 8,007,947</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, 2021**

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	\$ 251,536	\$ 34,182	\$ -	\$ -	\$ (217,354)	\$ -	\$ (217,354)
Police department	349,427	-	114,031	-	(235,396)	-	(235,396)
Street department	29,794	-	106,644	-	76,850	-	76,850
Fire department	112,305	-	11,000	-	(101,305)	-	(101,305)
Interest expense	12,621	-	-	-	(12,621)	-	(12,621)
Total governmental activities	<u>755,683</u>	<u>34,182</u>	<u>231,675</u>	<u>-</u>	<u>(489,826)</u>	<u>-</u>	<u>(489,826)</u>
Business-Type Activities:							
Utilities	<u>3,217,443</u>	<u>3,221,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,161</u>	<u>4,161</u>
Total business-type activities	<u>3,217,443</u>	<u>3,221,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,161</u>	<u>4,161</u>
Total primary government	<u>\$ 3,973,126</u>	<u>\$ 3,255,786</u>	<u>\$ 231,675</u>	<u>\$ -</u>	<u>\$ (489,826)</u>	<u>\$ 4,161</u>	<u>\$ (485,665)</u>
General Revenues:							
Property and other local taxes					\$ 343,359	\$ -	\$ 343,359
Licenses, fees and permits					250,455	-	250,455
Rental income					45,000	-	45,000
Interest income					690	604	1,294
Other income					42,127	-	42,127
Total general revenues					<u>681,631</u>	<u>604</u>	<u>682,235</u>
Change in net position					191,805	4,765	196,570
Net position, June 30, 2020					<u>252,012</u>	<u>7,559,365</u>	<u>7,811,377</u>
Net position, June 30, 2021					<u>\$ 443,817</u>	<u>\$ 7,564,130</u>	<u>\$ 8,007,947</u>

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

**CITY OF GREENUP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Special Revenue Fund Street Fund	Total Governmental Funds
Assets			
Cash	\$ 146,797	\$ 11,129	\$ 157,926
Garbage fees receivable	2,831	-	2,831
Other receivables	17,965	-	17,965
Due from other funds	285,330	10,316	295,646
	<u>452,923</u>	<u>21,445</u>	<u>474,368</u>
Total assets	<u>\$ 452,923</u>	<u>\$ 21,445</u>	<u>\$ 474,368</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 23,242	\$ -	\$ 23,242
Accrued wages	3,226	-	3,226
Due to other funds	393,988	285,330	679,318
Accrued compensated absences	1,358	-	1,358
	<u>421,814</u>	<u>285,330</u>	<u>707,144</u>
Total liabilities	<u>421,814</u>	<u>285,330</u>	<u>707,144</u>
Fund balances			
Assigned for special revenue funds	-	-	-
Unassigned	31,109	(263,885)	(232,776)
	<u>31,109</u>	<u>(263,885)</u>	<u>(232,776)</u>
Total fund balances	<u>31,109</u>	<u>(263,885)</u>	<u>(232,776)</u>
Total liabilities and fund balances	<u>\$ 452,923</u>	<u>\$ 21,445</u>	<u>\$ 474,368</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, 2021

Total fund balances - Governmental Funds		\$ (232,776)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$2,229,757 net of accumulated depreciation of \$1,479,885 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		749,872
Municipal Road Aid funds were not collected within the current period and therefore are not reported in the governmental funds.		198,448
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Capital lease obligation	(264,826)	
Accrued compensated absences	(6,901)	(271,727)
Net position - Governmental Activities		\$ 443,817

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, 2021

	General	Special Revenue Fund Street Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 67,828	\$ -	\$ 67,828
Vehicle taxes	22,331	-	22,331
Occupational license fees	220,416	-	220,416
Business license fees	9,545	-	9,545
Alcohol beverage fees	20,494	-	20,494
Franchise taxes	99,204	-	99,204
Insurance taxes	153,996	-	153,996
Garbage fees	34,182	-	34,182
Intergovernmental revenues	208,584	-	208,584
Interest	683	7	690
Rent	45,000	-	45,000
Other income	42,127	-	42,127
	<u>924,390</u>	<u>7</u>	<u>924,397</u>
Expenditures			
General government	239,305	-	239,305
Police department	443,820	-	443,820
Street department	-	163,895	163,895
Fire department	71,225	-	71,225
Debt service:			
Principal retirement	20,716	-	20,716
Interest	12,621	-	12,621
	<u>787,687</u>	<u>163,895</u>	<u>951,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>136,703</u>	<u>(163,888)</u>	<u>(27,185)</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	136,703	(163,888)	(27,185)
Fund balances, beginning of year	<u>(105,594)</u>	<u>(99,997)</u>	<u>(205,591)</u>
Fund balances, end of year	<u>\$ 31,109</u>	<u>\$ (263,885)</u>	<u>\$ (232,776)</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, 2021

Net change in fund balances - Governmental Funds \$ (27,185)

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	284,944	
Depreciation	<u>(107,734)</u>	177,210

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. 20,716

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. 23,091

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>(2,027)</u>
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Change in net position of Governmental Activities \$ 191,805

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, 2021

	Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property and other local taxes	\$ 308,958	\$ 308,958	\$ 343,359	\$ 34,401
Intergovernmental revenues	118,700	118,700	208,584	89,884
Charges for service	33,805	33,805	34,182	377
Rental income	45,800	45,800	45,000	(800)
Licenses, fees and permits	181,568	181,568	250,455	68,887
Other income	25,750	25,750	42,810	17,060
Total revenues	<u>714,581</u>	<u>714,581</u>	<u>924,390</u>	<u>209,809</u>
Expenditures				
General government	260,580	341,828	239,305	102,523
Police	309,250	337,760	443,820	(106,060)
Fire	294,751	294,751	71,225	223,526
Debt service	-	-	33,337	(33,337)
Total expenditures	<u>864,581</u>	<u>974,339</u>	<u>787,687</u>	<u>186,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,000)</u>	<u>(259,758)</u>	<u>136,703</u>	<u>396,461</u>
Other Financing Sources (Uses)				
Loan proceeds	150,000	150,000	-	(150,000)
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balance	-	(109,758)	136,703	246,461
Fund balance, beginning of year	<u>(105,594)</u>	<u>(105,594)</u>	<u>(105,594)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (105,594)</u>	<u>\$ (215,352)</u>	<u>\$ 31,109</u>	<u>\$ 246,461</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, 2021

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental revenues	\$ 26,300	\$ 26,300	\$ -	\$ (26,300)
Other income	5	5	7	2
Total revenues	<u>26,305</u>	<u>26,305</u>	<u>7</u>	<u>(26,298)</u>
Expenditures				
Street department	<u>76,305</u>	<u>92,305</u>	<u>163,895</u>	<u>(71,590)</u>
Total expenditures	<u>76,305</u>	<u>92,305</u>	<u>163,895</u>	<u>(71,590)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(66,000)</u>	<u>(163,888)</u>	<u>(97,888)</u>
Net change in fund balance	(50,000)	(66,000)	(163,888)	(97,888)
Fund balance, beginning of year	<u>50,000</u>	<u>66,000</u>	<u>(99,997)</u>	<u>(165,997)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (263,885)</u>	<u>\$ (263,885)</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, 2021

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 408,915
Accounts receivable	474,709
Allowance for doubtful accounts	(87,431)
Due from other funds	393,988
Materials and supplies inventory	165,391
Total current assets	<u>1,355,572</u>
Restricted Assets:	
Cash and cash equivalents	185,909
Total restricted assets	<u>185,909</u>
Capital Assets:	
Property, plant and equipment	21,264,140
Less: Accumulated depreciation	<u>(12,020,198)</u>
Total capital assets - net	<u>9,243,942</u>
Total assets	<u>10,785,423</u>
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts payable	288,947
Accrued wages	8,052
Accrued compensated absences	9,016
Accrued expenses	36,062
Accrued interest payable	5,124
Due to other funds	10,316
Customer deposits	513,282
Current portion of bonds payable	127,083
Current portion of notes payable	31,792
Total current liabilities	<u>1,029,674</u>
Long-term liabilities:	
Revenue bonds payable	1,855,834
Notes payable	335,785
Total long-term liabilities	<u>2,191,619</u>
Total liabilities	<u>3,221,293</u>
NET POSITION:	
Net investment in capital assets	6,893,448
Restricted for debt payment and capital outlay	185,909
Unrestricted	484,773
Total net position	<u>\$ 7,564,130</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, 2021**

	Utility Fund
OPERATING REVENUES:	
Water sales	\$ 2,967,527
Sewer service	198,859
Miscellaneous	55,218
Total operating revenues	3,221,604
OPERATING EXPENSES:	
Salaries, wages and related expenses	710,893
Health insurance	233,690
Contractual services	188,180
Materials and supplies	418,414
Repairs and maintenance	345,941
Fuel and oil	14,434
Utilities	286,651
Insurance	30,291
Office supplies	37,881
Rent	45,000
Depreciation	508,684
Sewer treatment costs	268,840
Miscellaneous	59,514
Total operating expenses	3,148,413
OPERATING INCOME	73,191
NON-OPERATING REVENUES (EXPENSES):	
Interest income	604
Interest expense	(69,030)
Total non-operating revenues (expenses)	(68,426)
INCREASE IN NET POSITION	4,765
NET POSITION, JUNE 30, 2020	7,559,365
NET POSITION, JUNE 30, 2021	\$ 7,564,130

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, 2021**

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,188,074
Cash payments to suppliers for goods and services	(2,086,926)
Cash payments to employees	(718,101)
Other operating revenues	55,218
Net cash provided by operating activities	438,265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(303,094)
Principal paid on long-term debt	(153,249)
Interest paid on long-term debt	(69,030)
Net cash used for capital and related financing activities	(525,373)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	604
Net cash provided by investing activities	604
NET DECREASE IN CASH AND CASH EQUIVALENTS	(86,504)
CASH AND CASH EQUIVALENTS, June 30, 2020	681,328
CASH AND CASH EQUIVALENTS, June 30, 2021	\$ 594,824
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 73,191
Adjustments:	
Depreciation	508,684
Changes in assets and liabilities:	
Increase in accounts receivable	(4,882)
Decrease in other receivables	6,500
Increase in inventories	(26,523)
Increase in due from other funds	(82,559)
Decrease in accounts payable	(48,387)
Increase in accrued wages	47
Decrease in accrued compensated absences	(7,255)
Decrease in other accrued liabilities	(7,121)
Increase in customer deposits	26,570
Net cash provided by operating activities	\$ 438,265
CASH AND CASH EQUIVALENTS, AT END OF YEAR:	
Cash and cash equivalents	\$ 408,915
Restricted cash and cash equivalents	185,909
	\$ 594,824

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

CITY OF GREENUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(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 2021 fiscal year was based was \$43,519,907. The tax rate assessed for the year ended June 30, 2021 to finance general fund operations was \$.1429 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, 2020 information to conform with the 2021 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 was effective for the City beginning with its year ending June 30, 2021. The adoption of this standard did not have a material effect on the City's 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 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, 2021, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$752,750 and the bank balances totaled \$807,073. 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:

	<u>June 30,</u> 2020	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> 2021
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Construction in progress	-	83,857	-	83,857
Capital Assets, Depreciated:				
Buildings	265,605	-	-	265,605
Automobiles and equipment	1,179,569	37,192	-	1,216,761
Infrastructure	463,639	163,895	-	627,534
Totals	<u>1,944,813</u>	<u>284,944</u>	<u>-</u>	<u>2,229,757</u>
Accumulated Depreciation:				
Buildings	185,068	12,724	-	197,792
Automobiles and equipment	830,975	64,534	-	895,509
Infrastructure	356,108	30,476	-	386,584
Totals	<u>1,372,151</u>	<u>107,734</u>	<u>-</u>	<u>1,479,885</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 572,662</u>	<u>\$ 177,210</u>	<u>\$ -</u>	<u>\$ 749,872</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 16,970	\$ -	\$ -	\$ 16,970
Construction in progress	320,985	239,890	-	560,875
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	47,864	-	295,096
Other equipment	1,411,465	15,340	-	1,426,805
Operating plant and distribution system	18,692,617	-	-	18,692,617
Totals	<u>20,961,046</u>	<u>303,094</u>	<u>-</u>	<u>21,264,140</u>
Less accumulated depreciation	<u>11,511,514</u>	<u>508,684</u>	<u>-</u>	<u>12,020,198</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 9,449,532</u>	<u>\$ (205,590)</u>	<u>\$ -</u>	<u>\$ 9,243,942</u>

Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,204
Police	26,656
Streets	29,794
Fire	41,080
	<u>\$ 107,734</u>
Business-type activities:	
Utilities	\$ 508,684
	<u>\$ 508,684</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, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>one year</u>
Other liabilities:					
Lease payable, 4.33% due August 12, 2030	\$ 285,542	\$ -	\$ 20,716	\$ 264,826	\$ 21,632
Compensated absences	<u>4,874</u>	<u>2,027</u>	<u>-</u>	<u>6,901</u>	<u>-</u>
 Total Governmental Activities	 <u>\$ 290,416</u>	 <u>\$ 2,027</u>	 <u>\$ 20,716</u>	 <u>\$ 271,727</u>	 <u>\$ 21,632</u>
	Balance			Balance	Due within
<u>Business-type Activities</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>one year</u>
Bonds payable:					
2012F revenue bonds 2%-3%, due 2038	\$ 2,105,000	\$ -	\$ 122,083	\$ 1,982,917	\$ 127,083
Loans payable:					
Kentucky infrastructure loan payable, 2.0%, due 2032	<u>398,743</u>	<u>-</u>	<u>31,166</u>	<u>367,577</u>	<u>31,792</u>
 Total Business-type Activities	 <u>\$ 2,503,743</u>	 <u>\$ -</u>	 <u>\$ 153,249</u>	 <u>\$ 2,350,494</u>	 <u>\$ 158,875</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, 2021, \$360,000 has been capitalized under the capital lease with \$148,000 in related accumulated depreciation.

The minimum principal and interest repayment requirements on the capital lease obligations at June 30, 2021 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	25,717	7,620	33,337
2027-2031	<u>146,674</u>	<u>20,011</u>	<u>166,685</u>
	<u>\$ 264,826</u>	<u>\$ 68,544</u>	<u>\$ 333,370</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, 2021, \$1,982,917 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, 2021, \$367,577 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, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	173,594	50,340	223,934
2027-2031	789,462	186,850	976,312
2032-2036	576,800	79,249	656,049
2037-2038	155,418	7,654	163,072
	<u>\$ 2,350,494</u>	<u>\$ 564,521</u>	<u>\$ 2,915,015</u>

(5) INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Utility Fund	General Fund	Operations	\$ 393,988
General Fund	Street Fund	Operations	285,330
Street Fund	Utility Fund	Operations	10,316

(6) RESTRICTED ASSETS

Debt Service Reserve Fund

At June 30, 2021, the city was required to have \$103,750 for the 2012F revenue bonds in a debt service reserve fund. As of June 30, 2021, 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, 2021 was \$31,978, which is \$4,022 less than the required amount of \$36,000.

(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, 2021, was \$26,464.

(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 revenues. Other financial impact could occur, but such potential impact is unknown 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 25, 2023.

Report on 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 (2021-001) 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 (2021-002, 2021-003, 2021-004, 2021-005 and 2021-006).

Report on 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 2021-004.

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 Gallaway Smith Godley, PSC

Ashland, Kentucky
August 25, 2023

CITY OF GREENUP
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021

Finding 2021-001 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 2021-002 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 2021-003 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, 2021

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 2021-004 Budget:

Condition: During the year ended June 30, 2021, expenditures exceeded appropriated amounts as follows:

<u>Fund</u>	<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Police	337,760	443,820	106,060

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: Budget is being monitored closely.

Finding 2021-005 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 2021-006 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, 2021

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.