

CITY OF GREENSBURG, KENTUCKY
AUDIT OF THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2019
AND FOR THE YEAR THEN ENDED
WITH REPORT OF INDEPENDENT AUDITOR

GREENSBURG
Kentucky



City of Greensburg, Kentucky
Table of Contents

	<u>Page</u>
Introductory Section	1
Independent Auditors' Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Notes to the Basic Financial Statements	13-37
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	38
Schedule of the City's Proportionate Share of the Net Pension Liability	39
Schedule of the City's Pension Contributions	40

City of Greensburg, Kentucky
Table of Contents

Schedule of OPEB Contributions	41
Schedule of Changes in the OPEB Liability	42
Information about Infrastructure Assets Reported Using the Modified Approach	43-44
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>	45-46

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Greensburg, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the City of Greensburg, Kentucky, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof 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 budgetary comparison information on page 38, pension schedules on pages 39 through 40 and OPEB schedules on pages 41 through 42, and information about infrastructure assets reporting using the modified approach on pages 43-44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 07, 2020 on our consideration of the City of Greensburg, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Greensburg, Kentucky's internal control over financial reporting and compliance.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC

May 07, 2020

City of Greensburg, Kentucky
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Cash and cash equivalents	\$ 191,246	\$ 187,185	\$ 378,431
Restricted cash	36,008	143,565	179,573
Certificates of deposit	77,587	148,361	225,948
Accounts receivable	314,287	259,091	573,378
Internal balances, net	1,078,970	(1,078,970)	-
Other assets	52,740	-	52,740
Capital assets			
General government	7,783,590	-	7,783,590
Water and sewer system	-	18,942,184	18,942,184
Less: accumulated depreciation	(2,954,044)	(9,202,899)	(12,156,943)
Total Assets	6,580,384	9,398,517	15,978,901
Deferred Outflows of Resources	350,663	365,273	715,936
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Accrued expenses	119,401	86,262	205,663
Accounts payable	19,764	22,101	41,865
Customer deposits payable	-	47,862	47,862
Bonds and notes payable			
Due within one year	159,313	155,905	315,218
Due in more than one year	1,199,586	4,809,770	6,009,356
Compensated absences	62,368	-	62,368
Net OPEB liability	252,839	263,061	515,900
Net pension liability	920,105	849,678	1,769,783
Total Liabilities	2,733,376	6,234,639	8,968,015
Deferred Inflows of Resources	128,353	133,665	262,018
Net Position			
Invested in capital assets, net of related debt	3,470,647	4,773,610	8,244,257
Restricted	88,748	143,565	232,313
Unrestricted	509,923	(1,521,689)	(1,011,766)
Total Net Position	\$ 4,069,318	\$ 3,395,486	\$ 7,464,804

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2019

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
General government	\$ 1,631,639	\$ 102,330	\$ 36,389	\$ 81,697	\$ (1,411,223)	\$ -	\$ (1,411,223)
Municipal road aid	18,550	-	45,277	-	26,727	-	26,727
Total Governmental Activities	<u>1,650,189</u>	<u>102,330</u>	<u>81,666</u>	<u>81,697</u>	<u>(1,384,496)</u>	<u>-</u>	<u>(1,384,496)</u>
Business-Type Activities							
Water and sewer	1,835,340	1,225,022	-	-	-	(610,318)	(610,318)
Total Business-Type Activities	<u>1,835,340</u>	<u>1,225,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610,318)</u>	<u>(610,318)</u>
Total City	<u>\$ 3,485,529</u>	<u>\$ 1,327,352</u>	<u>\$ 81,666</u>	<u>\$ 81,697</u>	<u>(1,384,496)</u>	<u>(610,318)</u>	<u>(1,994,814)</u>
			General Revenues:				
			Taxes		1,023,510	204,418	1,227,928
			Fees, licenses and permits		204,342	-	204,342
			Intergovernmental programs		35,764	-	35,764
			Interest revenue		1,936	7,370	9,306
			Other revenues		12,372	2,423	14,795
			Total General Revenues		<u>1,277,924</u>	<u>214,211</u>	<u>1,492,135</u>
			Transfers		<u>66,000</u>	<u>(66,000)</u>	<u>-</u>
			Change in Net Position		<u>(40,572)</u>	<u>(462,107)</u>	<u>(502,679)</u>
			Net Position - Beginning, as originally reported		<u>4,131,156</u>	<u>3,926,393</u>	<u>8,057,549</u>
			Prior period adjustment (see Note N)		<u>(21,266)</u>	<u>(68,800)</u>	<u>(90,066)</u>
			Net Position - Beginning, as related		<u>4,109,890</u>	<u>3,857,593</u>	<u>7,967,483</u>
			Net Position - Ending		<u>\$ 4,069,318</u>	<u>\$ 3,395,486</u>	<u>\$ 7,464,804</u>

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 191,246	\$ -	\$ 191,246
Restricted cash	-	36,008	36,008
Certificates of deposit	77,587	-	77,587
Receivables	314,287	-	314,287
Due from other funds	<u>1,046,438</u>	<u>49,814</u>	<u>1,096,252</u>
Total Assets	<u>\$ 1,629,558</u>	<u>\$ 85,822</u>	<u>\$ 1,715,380</u>
Liabilities and Fund Balances			
Liabilities			
Accrued expenses	\$ 119,402	\$ -	\$ 119,402
Due to other funds	-	17,280	17,280
Accounts payable	<u>19,764</u>	<u>-</u>	<u>19,764</u>
Total Liabilities	<u>139,166</u>	<u>17,280</u>	<u>156,446</u>
Fund Balances			
Restricted	-	68,542	68,542
Unassigned	<u>1,490,392</u>	<u>-</u>	<u>1,490,392</u>
Total Fund Balances	<u>1,490,392</u>	<u>68,542</u>	<u>1,558,934</u>
Total Liabilities and Fund Balances	<u>\$ 1,629,558</u>	<u>\$ 85,822</u>	<u>\$ 1,715,380</u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2019

Total Fund Balances Per Fund Financial Statements		\$ 1,558,934
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		4,829,546
<p>Sinking fund deposits and other assets are long-term that are not available to pay for current expenditures and therefore are not reported in the fund financial statements.</p>		52,740
<p>Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Deferred outflows related to pension and OPEB	350,663	
Deferred inflows related to pension and OPEB	<u>(128,353)</u>	222,310
<p>Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:</p>		
Compensated absences	(62,369)	
Bonds and notes payable	(1,358,899)	
Net OPEB liability	(252,839)	
Net pension liability	<u>(920,105)</u>	<u>(2,594,212)</u>
Net Position of Governmental Activities		<u><u>\$ 4,069,318</u></u>

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2019

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenue			
Franchise fees	\$ 192,428	\$ -	\$ 192,428
Insurance premium tax	289,151	-	289,151
Occupational tax	493,066	-	493,066
Property tax	241,293	-	241,293
Rent income	81,719	-	81,719
Licenses and permits	11,914	-	11,914
Intergovernmental programs	72,153	45,277	117,430
Charges for services	20,611	-	20,611
Grant revenues	81,697	-	81,697
Miscellaneous income	11,445	-	11,445
Total Revenue	<u>1,495,477</u>	<u>45,277</u>	<u>1,540,754</u>
Expenditures			
General government	1,204,721	-	1,204,721
Municipal road aid	17,030	18,550	35,580
Debt service			
Principal	165,324	-	165,324
Interest	22,930	-	22,930
Capital Outlay	21,215	-	21,215
Total Expenditures	<u>1,431,220</u>	<u>18,550</u>	<u>1,449,770</u>
Excess of Revenues Over (Under) expenditures	<u>64,257</u>	<u>26,727</u>	<u>90,984</u>
Other Financing Sources			
Transfer In / (out)	104,600	(38,600)	66,000
Interest income	973	963	1,936
Total Other Financing Sources	<u>105,573</u>	<u>(37,637)</u>	<u>67,936</u>
Net Change in Fund Balance	169,830	(10,910)	158,920
Fund Balances July 1, 2018, as originally reported	1,263,453	79,452	1,342,905
Prior period adjustment (see Note N)	<u>57,107</u>	<u>-</u>	<u>57,107</u>
Fund Balances July 1, 2018, as restated	<u>1,320,562</u>	<u>79,452</u>	<u>1,400,014</u>
Fund Balances June 30, 2019	<u>\$ 1,490,392</u>	<u>\$ 68,542</u>	<u>\$ 1,558,934</u>

City of Greensburg, Kentucky
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2019

Net Change in Total Fund Balances Per Fund Financial Statements \$ 158,920

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset expenditures capitalized	21,215	
Depreciation expense	<u>(307,072)</u>	(285,857)

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

Compensated absences	27,746	
Net OPEB liability	(571)	
Net pension liability	<u>(107,062)</u>	(79,887)

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

Debt payments	165,324
---------------	---------

Change in other noncurrent assets	<u>928</u>
-----------------------------------	------------

Change in Net Position of Governmental Activities	<u><u>\$ (40,572)</u></u>
---	---------------------------

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Fund
June 30, 2019

Water and Sewer
Fund

Assets and Deferred Outflows

Current Assets

Cash and cash equivalents	\$ 187,185
Restricted cash	143,565
Certificates of deposit	148,361
Accounts receivables	259,091
Total Current Assets	738,202

Noncurrent Assets

Capital Assets	
Water and sewer system	18,942,184
Accumulated depreciation	(9,202,899)
Total Noncurrent Assets	9,739,285

Total Assets	10,477,487
--------------	------------

Deferred Outflows of Resources	365,273
--------------------------------	---------

Liabilities and Deferred Inflows

Liabilities

Current Liabilities

Accounts payable	22,101
Accrued expenses	86,262
Customer deposits payable	47,862
Due to other funds	1,078,970
Bonds and notes payable	
Due within one year	155,905
Total Current Liabilities	1,391,100

Noncurrent Liabilities

Bonds and notes payable	
Due in more than one year	4,809,770
Net OPEB liability	263,061
Net pension liability	849,678
Total Noncurrent Liabilities	5,922,509

Total Liabilities	7,313,609
-------------------	-----------

Deferred Inflows of Resources	133,665
-------------------------------	---------

Net Position

Invested in capital assets, net of related debt	4,773,610
Restricted	143,565
Unrestricted	(1,521,689)
Total Net Position	\$ 3,395,486

City of Greensburg, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Water & Sewer Fund
Operating Revenues	
Sewer service	\$ 424,477
Water service	800,545
Occupational taxes	204,418
Total Operating Revenues	1,429,440
Operating Expenses	
Salaries and benefit expenses	676,668
Contractual	56,674
Materials and supplies	129,331
Repairs and maintenance	78,099
Utilities	149,557
Other expenses	96,083
Total Operating Expenses	1,186,412
Operating Income Before Depreciation	243,028
Depreciation	(442,307)
Operating Loss	(199,279)
Nonoperating Revenues (Expenses)	
Interest expense	(206,621)
Transfer out	(66,000)
Interest revenue	7,370
Miscellaneous revenue	2,423
Total Nonoperating Revenues (Expenses)	(262,828)
Change in Net Position	(462,107)
Net Position, July 1, 2018, as originally reported	3,926,393
Prior period adjustment (see Note N)	(68,800)
Net Position, July 1, 2018, as restated	3,857,593
Net Position, June 30, 2019	\$ 3,395,486

City of Greensburg, Kentucky
Statement of Cash Flows -
Proprietary Fund
For the Year Ended June 30, 2019

	<u>Water & Sewer Fund</u>
Cash Flows From Operating Activities	
Cash receipts from customers	\$ 1,408,232
Cash payments to suppliers for goods or services	(397,307)
Cash payments to employees for services	(563,572)
Net Cash Provided by Operating Activities	<u>447,353</u>
Cash Flows From Non-Capital and Related Financing Activities	
Other cash receipts	2,423
Transfers to other funds	(66,000)
Cash received for interest	7,370
Net Cash Used by Non-Capital and Related Financing Activities	<u>(56,207)</u>
Cash Flows From Capital and Related Financing Activities	
Payments of principal on long-term debt	(153,880)
Interest paid on notes and bonds	(206,621)
Purchase of capital assets	(1,769)
Net Cash Used by Capital and Related Financing Activities	<u>(362,270)</u>
Net Increase in Cash and Cash Equivalents	28,876
Cash and Cash Equivalents July 1, 2018	<u>301,874</u>
Cash and Cash Equivalents June 30, 2019	<u><u>\$ 330,750</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (199,279)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	442,307
(Increase) Decrease in:	
Accounts receivable	(21,208)
Certificates of deposit	(1,728)
Deferred outflows of resources	(34,330)
Increase (Decrease) in:	
Accounts payable	(19,230)
Customer deposits payable	(487)
Accrued expenses	6,303
Due to other funds	127,579
Net pension liability	138,905
Net OPEB liability	601
Deferred inflows of resources	7,920
Cash Provided by Operating Activities	<u><u>\$ 447,353</u></u>
Cash Reconciliation:	
Cash and cash equivalents	\$ 187,185
Restricted cash	143,565
Cash and Cash Equivalents June 30, 2019	<u><u>\$ 330,750</u></u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2019

Note A – Summary of Significant Accounting Policies

The City of Greensburg (“City”) was incorporated December 4, 1794. The City operates under a Mayor-Council form of government. The City’s major operations include fire and police protection, parks and recreation, and general administrative services. In addition, the City operates a water and sewer system. The citizens of Greensburg elect a mayor-at-large and six city council members.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for the governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display financial information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which include the City’s Administrative, Police, Fire, Maintenance, Paddle Trail and Community Center departments, normally are supported by taxes and intergovernmental revenues. Governmental activities do not include Municipal Aid Activity. Governmental activities are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grant or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

The following fund types are used by the City:

Governmental Funds

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

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

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

Proprietary Funds

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

Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements

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

Fund Financial Statements

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, grant expenditures, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Fund Balance

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

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

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

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

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

General Fund

The General Fund has unassigned fund balance of \$1,490,392 as of June 30, 2019.

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$68,542 that are set aside for City road repairs.

Component Units

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

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures as based on cash receipts and expenditures. Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For the year ended June 30, 2019, the general fund had a favorable budget variance of \$108,769 when considering both revenue and expenses.

Cash and Deposits

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

Accounts Receivable

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

transactions. The allowance for doubtful allowance has been established for the receivables based on an estimate of what will potentially be collected. The Utility accounts receivable are for services to customers. If a customer fails to pay within 20 days after the prior month's bill, their water service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month and the usage from then until the last day of the month is not billed until the following month. Utility accounts receivable in the amount of \$151,596 are included in the proprietary fund receivables. Proprietary fund receivables also include \$56,778 of tax revenue related to the .5% occupational tax.

Internal Balances

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

Inventories

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

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	35-50 years
Land improvements	10-15 years
Vehicles and equipment	5-10 years
Infrastructure	50 years
Utility plant assets	10-60 years

Infrastructure

The City has elected to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network that extend the useful life of the original asset are capitalized. The City uses a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

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

Compensated Absences

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

Accrued Liabilities & Long-Term Obligations

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

However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Estimates & Assumptions

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

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

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

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources until then.

The City has four items that qualify for reporting in this category. These include the City's pension and OPEB contributions made subsequent to the measurement date, differences between expected and actual experience, and net difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

In addition to liabilities, the Statement of Net 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 periods and will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which is related to change in proportion and differences between employer contributions and proportionate share of contributions. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note J, Retirement Plan and the Post-Employment Benefits Other than Pensions (OPEB) in Note K.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the City's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured at June 30, 2019.

Note B – Cash and Deposits

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. At June 30, 2019, all funds of the City were substantially insured or collateralized.

The table presented below is designed to disclose the level of custodial credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2019. The categories of credit risk are defined as follows:

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note B – Cash and Deposits (Continued)

Type of Deposit	Category			Total Bank Balance
	1	2	3	
Savings and CDs	\$ 209,783	-	-	\$ 209,783
Demand Deposits	333,095	443,032	-	776,127
Total	<u>\$ 542,878</u>	<u>\$ 443,032</u>	<u>-</u>	<u>\$ 985,910</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note C – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

Government Activities	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 319,034	\$ -	\$ -	\$ 319,034
Buildings	2,947,073	-	-	2,947,073
Equipment	2,101,011	21,215	-	2,122,226
Furniture	26,178	-	-	26,178
Software	27,619	-	-	27,619
Vehicles	589,282	-	-	589,282
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Total Depreciable Assets	7,762,375	21,215	-	7,783,590
Less: accumulated depreciation				
Buildings	(760,688)	(75,751)	-	(836,439)
Equipment	(758,275)	(158,235)	-	(916,510)
Furniture	(26,015)	(163)	-	(26,178)
Software	(27,619)	-	-	(27,619)
Vehicles	(483,641)	(38,349)	-	(521,990)
Streetscape	(539,166)	(31,351)	-	(570,517)
Connector Road	(51,568)	(3,223)	-	(54,791)
Total Accumulated Depreciation	(2,646,972)	(307,072)	-	(2,954,044)
Governmental Activities				
Capital Assets - Net	\$ 5,115,403	\$ (285,857)	\$ -	\$ 4,829,546
Business Activities				
Land	\$ 145,450	\$ -	\$ -	\$ 145,450
Buildings	77,728	-	-	77,728
Equipment	473,416	1,769	-	475,185
Sewer System	5,644,371	-	-	5,644,371
Vehicles	124,527	-	-	124,527
Water System	12,474,923	-	-	12,474,923
Total Depreciable Assets	18,940,415	1,769	-	18,942,184
Less: accumulated depreciation				
Buildings	(77,728)	-	-	(77,728)
Equipment	(447,515)	(6,908)	-	(454,423)
Sewer System	(4,326,061)	(194,951)	-	(4,521,012)
Vehicles	(121,343)	(2,987)	-	(124,330)
Water System	(3,787,945)	(237,461)	-	(4,025,406)
Total Accumulated Depreciation	(8,760,592)	(442,307)	-	(9,202,899)
Business Type Activities				
Capital Assets - Net	\$ 10,179,823	\$ (440,538)	\$ -	\$ 9,739,285

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note D – Receivables

As of June 30, 2019, the receivables due the City consisted of the following:

	Governmental Activities	Business-Type Activities
AR - Emergency 911	\$ 76,489	\$ -
AR - Franchise Fees	38,076	-
AR - Insurance Premium Tax	71,574	-
AR - KLEFPF	1,571	-
AR - Law Enforcement Revenue	1,892	-
AR - Occupational Taxes	115,279	56,778
AR - Delinquent Property Taxes	39,372	-
AR - Safety Grant	2,991	-
AR - Vehicle Taxes	1,326	-
AR - Utility Service Customers	-	202,313
Allowance for Doubtful Accounts	(34,283)	-
	<u>\$ 314,287</u>	<u>\$ 259,091</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note E-Bonds and Notes Payable

The City of Greensburg, Kentucky's long term debt is segregated between the amounts to be repaid from governmental activities and amounts to be paid from business-type activities.

Governmental Activities

		<u>Balance</u>	<u>Current</u>
KLC Loan Series 2002A	Fixed Rate Swap Lease with bank, original issue amount of \$300,000; dated July 18, 2005; secured by personal property; interest rate of 3.88%; with final maturity dated April 1, 2020.	\$ 50,000	\$ 25,000
Bank Loan #7100419501	Note Payable with bank, original issue amount of \$60,000; dated October 29, 2014; secured by police vehicles; interest rate is 3.0%; with final maturity date October 29, 2019	3,152	3,241
Bank Loan #387557	Note Payable with bank, original issue amount of \$403,321; dated November 25, 2013; secured by mortgage on real property; interest rate is 3.99%; with final maturity date November 25, 2028	279,459	25,218
KY Bond Corp Note	General Obligation Lease Agreement, original issue amount \$1,390,000; dated July 30, 2013; due February 1, 2029; interest rate of 3.12%; secured by personal property and City revenues	924,582	87,083
Bank Loan #7100453682	Note Payable with bank, original issue amount of \$65,107; dated November 3, 2016; secured by fire truck; interest rate is 3.0%; with final maturity date November 3, 2026	49,605	6,140
Bank Loan #3089080	Note Payable with bank, original issue amount of \$65,337; dated May 15, 2018; secured by police vehicles; interest rate is 3.75%; with final maturity date May 15, 2023	52,101	12,631
	Total Notes Payable and Fixed Rate Swap Lease	\$1,358,899	\$159,313

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note E-Bonds and Notes Payable (Continued)

Business-type Activities

		<u>Balance</u>	<u>Current</u>
KIA Water Tank	KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest rate of .75%	\$ 42,693	\$ 8,411
KBC Sewer bond	General Obligation Lease Agreement, original issue amount \$1,310,000; dated November 20, 2014; Due February 1, 2032, Variable interest rate, secured by real property	980,833	67,083
USDA AR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$2,616,000 due January 1, 2054; interest rate of 2.00%; secured by Revenue Bonds	2,473,500	49,500
USDA BR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$455,000 due January 1, 2054; interest rate of 2.75%; secured by Revenue Bonds	436,500	6,500
USDA CR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$200,000 due January 1, 2054; interest rate of 2.75%; secured by Revenue Bonds	191,000	3,000
USDA RD 91-05	United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; dated September 19, 2011; secured by City Utility Revenues; interest rate of 4.125%; with final maturity dated January 1, 2048	395,900	7,300
KLC Note - Waterlines	Kentucky League of Cities (KLC) Morehead Pool 2007 Variable Rate Note; original issue amount of \$100,000; dated February 16, 2006; unsecured note; final maturity dated for April 1, 2026	42,750	5,611
USDA RD 92-08	United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; dated November 10, 2011; unsecured note; interest rate of 2.25%; with final maturity date of November 2051	<u>402,500</u>	<u>8,500</u>
	Total Bonds and Notes Payable	<u>\$4,965,676</u>	<u>\$155,905</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note E-Bonds and Notes Payable (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

<u>General Government Activities</u>	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>
Notes Payable	\$ 439,641	\$ -	\$ (55,324)	\$ 384,317
Lease Obligations	1,084,582	-	(110,000)	974,582
	<u>\$ 1,524,223</u>	<u>\$ -</u>	<u>\$ (165,324)</u>	<u>\$ 1,358,899</u>
<u>Business-type Activities</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>
Bond Obligations	\$ 4,033,317	\$ -	\$ (81,848)	\$ 3,951,469
Notes Payable	1,086,239	-	(72,032)	1,014,207
	<u>\$ 5,119,556</u>	<u>\$ -</u>	<u>\$ (153,880)</u>	<u>\$ 4,965,676</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental activities, as of June 30, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 159,313	\$ 52,038	\$ 211,351
2021	162,765	46,171	208,936
2022	142,441	41,314	183,755
2023	142,722	36,300	179,022
2024	138,578	30,989	169,567
2025-2029	613,080	65,785	678,866
Total	<u>\$ 1,358,901</u>	<u>\$ 272,596</u>	<u>\$ 1,631,497</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note E-Bonds and Notes Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the business-type activities, as of June 30, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	155,905	127,146	283,051
2021	161,901	122,182	284,083
2022	163,486	118,308	281,794
2023	173,180	113,753	286,933
2024	174,869	109,186	284,055
2025-2029	814,833	475,716	1,290,550
2030-2034	696,603	343,269	1,039,872
2035-2039	568,500	266,750	835,250
2040-2044	712,600	121,038	833,638
2045-2049	707,800	102,847	810,647
2050-2054	636,000	32,344	668,344
Total	\$ 4,965,676	\$ 1,932,540	\$ 6,898,217

Note F- Compliance with Bond Ordinance

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

Depreciation – This account is to receive funds monthly from the remaining revenues of the financed system. At June 30, 2019, the account was to receive \$200 each month with a reserve cap of \$24,000 for Water Bond 91-05 and \$150 each month with a reserve cap of \$18,000 for Sewer Bond 92-08. The City is in compliance with the ordinance.

Bond and Interest Sinking - This account is to receive, monthly, one sixth (1/6) of the next interest installment and one-twelfth (1/12) of the next annual principal payment. The City is in compliance with the ordinance.

Operation and Maintenance - This account is to accrue a balance equal to the anticipated requirements for a two-month period. The City is in compliance with the ordinance.

Note G – Risk Management

The City of Greensburg is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note H- Related Parties Transactions

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

Note I - Economic Dependency

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

Note J – Retirement Plan

Plan Description

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

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

For the fiscal year ended June 30, 2019 the City's covered payroll for non-hazardous positions was \$749,176. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2019. Contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	21.48%

The City's contribution for the fiscal year ended June 30, 2019 amounted to \$197,456, of which \$160,923 was contributed by the City and \$36,533 by the City's employees.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note J – Retirement Plan (Continued)

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

At June 30, 2019, the City reported a liability of \$1,769,783 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was 0.029 percent for non-hazardous.

For the year ended June 30, 2019, the City recognized pension expense of \$284,973. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ 119,123	\$	34,779
Differences between expected and actual experience	57,725		25,906
Changes of assumptions	172,959		-
Net difference between projected and actual earnings on Plan investments	82,296		103,517
City's contributions subsequent to the measurement date	95,032		-
Total	\$ 527,135	\$	164,202

The \$95,032 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ 166,890
2021	108,780
2022	1,750
2023	(9,500)

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note J – Retirement Plan (Continued)

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note J – Retirement Plan (Continued)

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

<u>Asset Class</u>	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	5.97%	17.50%
Non-U.S. Equity	6.50%	17.50%
Global Bonds	3.00%	4.00%
Credit Fixed	8.50%	24.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Private Equity	6.50%	10.00%
Cash	1.50%	2.00%
	<u>6.09%</u>	<u>100.00%</u>

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<u>Discount rate</u>	<u>City's proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 2,228,000
Current discount rate	6.25%	\$ 1,769,000
1% increase	7.25%	\$ 1,386,000

Payables to the pension plan: At June 30, 2019, the City reported a payable including insurance contributions of approximately \$15,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note K – Post-Employment Benefits Other than Pensions (OPEB)

At June 30, 2019, the net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	<u>\$ 188,802</u>
Deferred Inflows of Resources	<u>\$ 97,816</u>
Net OPEB Liability:	<u>\$ 515,900</u>

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2019 was 5.26% of covered payroll. Contributions to the Insurance Fund from the City were \$39,407 for the year ended June 30, 2019. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note K – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Net OPEB Liability

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rate	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note K – Post-Employment Benefits Other than Pensions (OPEB)

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. Equity	5.97%	17.50%
Non-U.S. Equity	6.50%	17.50%
Global Bonds	3.00%	4.00%
Credit Fixed	8.50%	24.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Private Equity	6.50%	10.00%
Cash	1.50%	2.00%
	<u>6.09%</u>	<u>100.00%</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.85%) or one percentage point higher (6.85%) follows:

	Discount Rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 670,000
Current discount rate	5.85%	\$ 516,000
1% increase	6.85%	\$ 384,000

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note K – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower(6.0%) or one percentage point higher (8.0%) than current healthcare cost trend rates follows:

	Healthcare Cost Trend Rate		City's proportionate share of net OPEB liability
1% decrease	6.0%	\$	384,000
Current healthcare rate	7.0%	\$	516,000
1% increase	8.0%	\$	671,000

OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of \$515,901 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method to be reflective of the employers' long-term contribution effort. At June 30, 2018, the City's proportion was 0.029059% for nonhazardous.

For the year ended June 30, 2019, the City recognized OPEB expense of \$74,389. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ 46,628	\$ 968
Implicit subsidy	8,323	-
Differences between expected and actual results	-	60,121
Changes of assumptions	103,033	1,192
Net difference between projected and actual earnings on Plan investments	-	35,535
City contributions subsequent to the measurement date	30,818	-
Total	\$ 188,802	\$ 97,816

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note K – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

The \$30,818 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2020	\$10,408
2021	10,408
2022	10,408
2023	17,310
2024	4,068
Thereafter	(757)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred

Note L - Rent Expense

The Greensburg Water and Sewer System rents its office facilities from the City of Greensburg. The rate is adjusted annually. The rate at June 30, 2019 was \$ 36,000 year.

Note M - Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 07, 2020 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the City.

In early 2020, the global coronavirus outbreak hit the United States of America. The City overall could be negatively impacted by the coronavirus outbreak, but the significance and the duration of the impact for which it may have cannot be determined at this time.

Note N – Prior Period Adjustment

During 2019, the City detected and corrected three accounting errors that impacted beginning balances as of June 30, 2018. General Fund accrued expenses were overstated by \$42,835. General Fund interfund transfers were understated by \$14,254. Compensated absences were understated for the General Fund and the Water and Sewer Fund by \$78,365 and \$68,800, respectively.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2019

Note N – Prior Period Adjustment (Continued)

As a result the corrections of errors detected in the current year, the City restated beginning net position for governmental and business-type activities as noted below:

	Governmental Activities	Business Activities
Beginning of year, as previously reported		
Net Position	\$ 4,131,156	\$ 3,926,393
Compensated absences	(78,375)	(68,800)
Interfund transfers	14,274	-
Accrued expenses	42,835	-
Total	(21,266)	(68,800)
Beginning of year, as restated		
Net Position	\$ 4,109,890	\$ 3,857,593

Note O – Recently Issued Accounting Standards Update

GASB Statement No. 84—In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019–20 fiscal year. The City has not determined the effect of this pronouncement.

GASB Statement No. 87—In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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. The Statement is effective for the reporting periods beginning after December 15, 2019, or the 2020-21 fiscal year. The City has not determined the effect of this pronouncement.

Note P – Commitments

The City of Greenburg's waste water treatment plant is in violation of the Kentucky Revised Statutes (KRS) 224.70 - Water Quality. The City is currently under an Agreed Order with the Commonwealth of Kentucky's Energy and Environment Cabinet related to the violation to address sanitary and combined sewer overflow issues. The City has five years to implement remedial measures.

REQUIRED SUPPLEMENTAL INFORMATION

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - General Fund
June 30, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenue				
Taxes	\$ 921,771	\$ 921,771	\$ 1,023,510	\$ 101,739
Fees, Licenses and permits	149,500	149,500	204,342	54,842
Intergovernmental programs	518,328	518,328	153,850	(364,478)
Miscellaneous income	173,200	173,200	113,775	(59,425)
Total Revenue	<u>1,762,799</u>	<u>1,762,799</u>	<u>1,495,477</u>	<u>(267,322)</u>
Expenditures				
General government	1,685,261	1,685,261	1,204,721	480,540
Municipal road aid	50,000	50,000	17,030	32,970
Debt service	182,413	182,413	188,254	(5,841)
Capital outlay	35,800	35,800	21,215	14,585
Total Expenditures	<u>1,953,474</u>	<u>1,953,474</u>	<u>1,431,220</u>	<u>522,254</u>
Excess of Revenues Over (Under) expenditures	<u>(190,675)</u>	<u>(190,675)</u>	<u>64,257</u>	<u>254,932</u>
Other Financing Sources				
Transfer in (out)	154,000	154,000	104,600	(49,400)
Interest income	300	300	973	673
Proceeds from debt financing	-	-	-	-
Proceeds from sale of asset	8,000	8,000	-	(8,000)
Total Other Financing Sources	<u>162,300</u>	<u>162,300</u>	<u>105,573</u>	<u>(56,727)</u>
Net Change in Fund Balance	(28,375)	(28,375)	169,830	198,205
Fund Balances July 1, 2018, as originally reported	1,263,453	1,263,453	1,263,453	-
Prior period adjustment (see Note N)	<u>-</u>	<u>-</u>	<u>57,107</u>	<u>57,107</u>
Fund Balances July 1, 2018, as restated	<u>1,263,453</u>	<u>1,263,453</u>	<u>1,320,562</u>	<u>57,109</u>
Fund Balance June 30, 2019	<u>\$ 1,235,078</u>	<u>\$ 1,235,078</u>	<u>\$ 1,490,392</u>	<u>\$ 255,314</u>

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

	<u>June 30, 2015</u> Non-Hazardous	<u>June 30, 2016</u> Non-Hazardous	<u>June 30, 2017</u> Non-Hazardous	<u>June 30, 2018</u> Non-Hazardous	<u>June 30, 2019</u> Non-Hazardous
City's proportion of the net pension liability	0.031574%	0.028036%	0.027430%	0.025604%	0.029059%
City's proportionate share of the net pension liability	\$ 1,024,355	\$ 1,205,443	\$ 1,350,492	\$ 1,498,681	\$ 1,769,782
City's covered-employee payroll	\$ 751,829	\$ 701,228	\$ 614,346	\$ 768,436	\$ 749,176
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.25%	171.90%	219.83%	195.03%	236.23%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.50%	53.54%

City of Greensburg, Kentucky
Schedule of the City's Contributions
County Employees' Retirement System
Last Five Fiscal Years

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Non-Hazardous June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 96,084	\$ 87,163	\$ 85,701	\$ 111,270	\$ 121,516
Contributions in relation to the contractually required contribution	<u>(96,084)</u>	<u>(87,163)</u>	<u>(85,701)</u>	<u>(111,270)</u>	<u>(121,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 751,829	\$ 701,228	\$ 614,346	\$ 768,436	\$ 749,176
Contributions as a percentage of covered-employee payroll	12.78%	12.43%	13.95%	14.48%	16.22%

City of Greensburg, Kentucky
Schedule of the City's OPEB Contributions
County Employees' Retirement System
Last Two Fiscal Years

	Non-Hazardous	
	2018	2019
Contractually required contribution	\$ 36,116	\$ 39,407
Contributions in relation to the contractually required contribution	(36,116)	(39,407)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 768,436	\$ 749,176
Contributions as a percentage of covered-employee payroll	4.70%	5.26%

City of Greensburg, Kentucky
Schedule of Changes in the City's OPEB Liability
County Employees' Retirement System
Last Two Fiscal Years
(\$ in thousands)

	Non-Hazardous	
Change in the Net OPEB Liability	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service Cost	\$ 22	\$ 36
Interest	62	70
Benefit Changes	-	1
Difference between actual and expected experience	(2)	(70)
Assumption Changes	133	(1)
Benefit Payments	<u>\$ (36)</u>	<u>(45)</u>
Net Change on Total OPEB Liability	179	(10)
Total OPEB Liability - Beginning	902	1,227
Total OPEB Liability - Ending	<u>\$ 1,081</u>	<u>\$ 1,217</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 34	\$ 42
Contributions - Member	2	3
Benefit Payments	(36)	(45)
Net Investment Income	68	59
Administrative Expense	(0)	(0)
Other	-	0
Net Change in Plan Fiduciary Net Position	<u>68</u>	<u>59</u>
Plan Fiduciary Net Position - Beginning	498	643
Plan Fiduciary Net Position - Ending	<u>\$ 566</u>	<u>\$ 701</u>
Net OPEB Liability - Ending	515	516
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.4%	52.4%
Covered Payroll	\$ 768	\$ 749
Net OPEB Liability as a Percentage of Covered Payroll	67.0%	68.9%

Information about Infrastructure Assets Reported
Using the Modified Approach

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

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

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

A governmental entity that uses the modified approach has to document that it has performed a completed condition assessment of the assets at least once every three years. The City completed a condition assessment as of June 30, 2019 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2019 and for the year then ended.

Roads

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

Measurement Scale

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

Category	PCI Rating Range	Description
Very Good	94 – 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress. (No maintenance work needed.)
Good	76 – 93	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress. (Minor maintenance may be needed.)
Fair	64 - 75	Surface defects such as cracking, rutting, and raveling are affecting the ride. (Major maintenance is likely needed.)
Poor	41 - 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough. (Structural improvements, in addition to major maintenance, are likely needed.)
Very Poor	0 - 40	Pavement in this category is severely deteriorated and the ride quality is unacceptable. (Complete road reconstruction is likely needed.)

Established Condition Level

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

Assessed Conditions

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

Category	2018
Very Good	70%
Good	25%
Fair	5%

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

<u>Fiscal Year Ended June 30,</u>	<u>Expenditures</u>	<u>Budgeted</u>
2014	\$ 27,175	\$ 23,136
2015	\$ 47,065	\$ 50,000
2016	\$153,507	\$160,000
2017	\$ 53,869	\$ 50,000
2018	\$ 43,211	\$ 50,000
2019	\$ 35,580	\$ 50,000

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

To the Mayor and City Council
City of Greensburg, Kentucky

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund the City of Greensburg, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Greensburg, Kentucky's basic financial statements and have issued our report thereon dated May 07, 2020.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employee in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
May 07, 2020