

**CITY OF GREENSBURG, KENTUCKY**  
**AUDIT OF THE FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012**  
**AND FOR THE YEAR THEN ENDED**  
**WITH REPORT OF INDEPENDENT ACCOUNTANT**

**Annual Financial Report  
The City of Greensburg, Kentucky  
As of June 30, 2012,  
And for the Fiscal Year Then Ended**

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February 4, 2013  
City Council and Citizens of Greensburg  
Greensburg, Kentucky

**The Annual Financial Report**

The Annual Financial Report (AFR) of the City of Greensburg, Kentucky, for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The AFR is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes, under the new Governmental Accounting Standards Board Statement No. 34 as amended, Management's Discussion and Analysis, the Report of Independent Accountant, the basic government-wide financial statements, and the required supplementary information.

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

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

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

Robert C. Ryan, Certified Public Accountant, audited the financial statements and the related notes of the City of Greensburg, Kentucky. As stated in the auditor's report, the audit was conducted in accordance with Generally Accepted Government Auditing Standards as accepted in the United States of America, and included a review of accounting controls (as required by state law).

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

Respectively submitted:

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George C. Cheatham, II , Mayor

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Janie Casey, City Clerk/Treasurer

**City of Greensburg, Kentucky  
Governmental Directory**

**City Clerk's Office**

110 West Court Street

Greensburg, KY 42743

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

City Council meetings held 1st Monday of each month at 6:00 PM (CST)

**City of Greensburg Officials**

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Term Expires</u></b>
Mayor	George "Lisle" Cheatham, II	December 31, 2014
Council Member	Jerry Cowherd	December 31, 2012
Council Member	Brenda Patterson	December 31, 2012
Council Member	William O. "Bill" Moore	December 31, 2012
Council Member	Sandi Moran	December 31, 2012
Council Member	Ed Gorin	December 31, 2012
Council Member	Bill Taylor	December 31, 2012
City Clerk/Treasurer	Janie Casey	
Fire Chief	Lawrence Gupton	
Police Chief	Wayne Hedgespeth	
Public Works Director	Roger Skaggs	
911 Coordinator	Ron Jones	
Chief Operator, Water Plant	Gordon Price	
Chief Operator, Waste Water Plant	Eddie Wright	

**Financial Audit  
As of the Year Ended  
June 30, 2012  
Management Discussion and Analysis**

**Conclusion to Financial Highlights**

The City of Greensburg turned in a solid financial performance for the fiscal year of 2011, considering the overall economic environment we find ourselves. We continued our recent history of growing the overall net asset value of the community. This has happened mainly due to the increased flow of grant proceeds as well as donated assets to the community we have enjoyed over the past 10 years. Over the past ten years, the City of Greensburg has seen its total net asset value more than double from just fewer than three million dollars in 2003 to over \$7 million today – 14.72% in 2012 alone.

However, going forward - given the projected explosion in pension, insurance and utility cost -the City will have to focus more attention to managing our cash flow, prioritizing and thinking outside the box when it comes to looking for ways to cut cost and increase revenue opportunities, if we are to continue growing and improving our community. These issues will only be exacerbated by the fiscal crisis being experienced at both the federal and state levels.

**Non-Financial Highlights**

Our continued focus on overall community development as an economic strategy has continued to prove successful. Currently, the City has accumulated nearly \$7 million in committed grant and loan funds for community projects such as a new Water Treatment Plant, a new Fire Department facility, a Post-Secondary Education Facility, Community and Senior Center, Fitness Trail and several smaller projects. This will help to continue our efforts at building a “Livable Community” that can be marketed to new business and industry, tourists as well as new residents.

We are continuing to see the benefits of this strategy as we see more and more investment into our community, with several new businesses opening, increased redevelopment efforts and a continued demand for commercial space. The completion of the new road through the Industrial Park has opened up new developable property and created increased interest in the community. Greensburg saw the completion and opening of the new Dollar General Market in 2012 along with the other businesses such Longhunter’s Coffee and Tea Co., and the new Health First Pharmacy facility.

As I continue to caution, the process of community development is by its very nature a slow process and will have to be given time to work over the long term. The economic recession and now recovery have played a significant role in this process. While it has made it tough on everyone individually, it has opened up some opportunities for our community that we have been able to take advantage of and over time put us in a much better position to compete than we were even before the “Great Recession” took hold in 2008.

**Future Events**

The City currently has several projects in different stages of development or construction. The first is the construction of a new Community Safe Room and Fire Department Facility, which should be completed sometime in mid-spring of 2013. Also, we are in final negotiations with the apparent low bidder for the renovation and construction of the new Greensburg Community and Senior Citizen Center. Final work will be completed this spring on the new Greensburg Disk Golf and Fitness Park located at the former Clark Casual site. The City and County along with the students of the Green County High School FBLA

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Club are working to develop and implement a community wide recycling program which has already taken in over fifty tons of recyclable material to date – the first legitimate try at a sustainable community recycling program in Greensburg.

The City, with the help of the County, is waiting on one last piece of the proposed funding package in order to bid the new two million gallon per day Greensburg Water Treatment facility. With that in place the next phase would be to bid the project and then move into construction with a goal of final completion sometime in early 2015.

Other potential projects being explored are expansion of the Green River Paddle Trail facilities to include public bathrooms and an open-air pavilion, a Post-Secondary Educational facility in cooperation with both the Green County Board of Education and the Green County Area Technology Center to allow for online class work and to provide for streaming live video instruction as well. Also involved in the project are Elizabethtown Community and Technical College, Lindsey Wilson College, Campbellsville University, and the Green County Adult Education Center. We currently have a commitment of \$200,000 in ARC funding for this very important project. The City is also in the preliminary stages of outlining phase one of a community “Greenway Belt” which will provide an opportunity for the community to walk, run or bike our community both for exercise as well as to provide safer pedestrian access.

The City is also working on rolling out a new up to date and more user friendly web site along with a new “Community Guide” that will also be used in a digital format. Also, having completed both a new community strategic plan with the help of the Kentucky League of Cities, as well as a new policy and procedure manual, we have moved on into codifying the City’s ordinances for the first time in nearly 30 years and drafting new employee job descriptions and pay scales as required by Kentucky law. Again, all of these will be made available on the City’s new web site along with copies of our monthly financial statements.

All of these projects will depend on various funding sources as well as building strong partnerships with other public and private agencies. However, each is very important in building the type of community infrastructure we need to attract quality business prospects and providing opportunity for our residents. All of these projects will continue to push the City’s resources to supply adequate infrastructure as well as regulatory enforcement required to manage these new growth issues. It will be very important that the City manages these issues well from the start or we will create larger issues and problems for the community later on down the road.

**Conclusion**

As of this writing, the current conditions surrounding the world, the nation and the State’s economy are continuing to see positive signs following the worst recession in generations. To what degree that will benefit the City of Greensburg will depend on our willingness to do the things necessary to compete with our neighbors and the rest of the world to attract and create jobs. At this very important time the City will also have to contend with the growing demand for increased services by our residents, the business community, not to mention the ever-increasing unfunded mandates passed down by both the Federal and State governments.

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As of the Year Ended  
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Management Discussion and Analysis**

However, I am reminded of the famous quote, "Society is not built on a level". We must continue to focus on our plans for building and improving our community, now more than ever. Other communities are working to move forward, which means we have to work that much harder if we want to improve our standing against our peers.

I do believe both the financial future and the overall future for Greensburg is solid, provided we continue to plan and manage our assets in a conservative manner and focus on our opportunities and our strengths. Given the economic conditions described above, Greensburg may only have a narrow window of time to make significant progress in creating the self-sustaining economic opportunity for our residents we all want. Therefore, it is more important than ever that our community continue to come together and work with a common vision and purpose. There are many forces working both for and against us in the world today. Most are out of our control. We must continue to focus on the ones we can control and take advantage of the opportunities created by the ones we cannot. We can be either our own worst enemy or our own best friend; it is up to each of us.

As always, the City of Greensburg looks forward to working toward the brightest future possible for our residents and our community!

Sincerely,

George "Lisle" Cheatham, II  
Mayor  
City of Greensburg



City of Greensburg, Kentucky  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Then Ended June 30, 2012

Financial Ratios, Years Ended June 30,	2012	2011	2010	2009	2008	2007
<b>Working Capital (Current assets-current liabilities)</b>						
Entity Wide Summary	\$861,147	\$671,619	\$647,920	\$617,255	\$808,382	\$961,340
Governmental	\$531,163	\$404,948	\$404,479	\$394,848	\$406,746	\$363,847
Special Revenue	\$26,337	\$12,382	\$43,024	\$14,898	\$53,140	\$43,063
Business-type	\$613,221	\$266,671	\$271,229	\$286,440	\$348,456	\$338,116
<b>Current Ratio (Current assets / current liabilities)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Entity Wide Summary	2.82	1.62	2.45	1.92	2.54	2.66
Governmental	3.98	3.02	4.44	3.00	2.65	2.72
Special Revenue	1	1	1.00	1.00	1.00	1.00
Business-type	3.08	2.25	1.89	2.07	2.08	1.92
<b>Days Cash and Investment in Reserve (Represents the number of days normal operations could continue with no revenue collections)</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
Entity Wide Summary	136	118	137	114	153	144
Governmental	100	97	76	50	89	79
Business-type	176	140	217	197	245	288
<b>Liabilities to Net Assets (Indicates the extent of borrowing)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Entity Wide Summary	2.67	1.78	2.17	2.84	1.64	1.14
Governmental	7.35	5.75	6.71	6.82	7.45	7.24
Business-type	1.73	0.61	1.52	1.52	0.25	0.3

City of Greensburg, Kentucky  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Then Ended June 30, 2012

Fiscal Year Ended June 30, Current Expense Fund Revenues	2012	2011	2010	2009	2008	2007
Taxes	\$939,779	\$864,260	\$896,735	\$835,971	\$806,882	\$926,022
Licenses and Permits	\$15,146	\$13,314	\$16,158	\$8,769	\$8,014	\$5,405
Intergovernmental Revenue	\$74,953	\$54,553	\$64,461	\$66,310	\$2,294	\$126,729
Franchise Fees	\$133,443	\$153,218	\$137,471	\$132,823	\$111,854	\$114,410
Grants	\$73,875	\$103,028	\$86,461	\$349,362	\$212,202	\$719,436
Municipal Road Aid	\$64,416	\$62,059	\$55,761	\$53,943	\$52,095	\$96,808
Rents	\$84,157	\$103,591	\$94,384	\$71,279	\$71,758	\$46,436
Interest Income	\$6,828	\$4,139	\$3,210	\$6,192	\$9,923	\$10,071
Other Income	\$51,514	\$68,362	\$109,638	\$215,055	\$467,633	\$147,172
<b>Totals Revenues</b>	<b>\$1,444,111</b>	<b>\$1,426,524</b>	<b>\$1,464,279</b>	<b>\$1,739,704</b>	<b>\$1,742,655</b>	<b>\$2,192,489</b>
Fiscal Year Ended June 30, Current Expense Fund Expenditures	2012	2011	2010	2009	2008	2007
General Government	\$570,470	\$482,532	\$549,452	\$688,165	\$604,917	\$552,180
Public Safety, Police	\$479,287	\$483,198	\$426,597	\$408,509	\$432,370	\$429,842
Public Safety, Fire	\$99,910	\$27,768	\$25,733	\$34,569	\$23,468	\$35,401
City Maintenance	\$270,004	\$257,725	\$211,859	\$283,187	\$209,988	\$253,661
Capital Expenditures	\$79,206	\$102,244	\$99,832	\$461,378	\$114,407	\$340,052
<b>Totals Expenditures</b>	<b>\$1,498,877</b>	<b>\$1,353,467</b>	<b>\$1,313,473</b>	<b>\$1,875,808</b>	<b>\$1,385,150</b>	<b>\$1,611,136</b>

City of Greensburg, Kentucky  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Then Ended June 30, 2012

Fiscal Year Ended June 30, Current Expense Fund Revenues	2012	2011	2010	2009	2008	2007
Taxes	65.08%	60.59%	61.24%	48.05%	46.30%	42.24%
Licenses and Permits	1.05%	0.93%	1.10%	0.50%	0.46%	0.25%
Intergovernmental Revenue	5.19%	3.82%	4.40%	3.81%	0.13%	5.78%
Franchise Fees	9.24%	10.74%	9.39%	7.63%	6.42%	5.22%
Grants	5.12%	7.22%	5.90%	20.08%	12.18%	32.81%
Municipal Road Aid	4.46%	4.35%	3.81%	3.10%	2.99%	4.42%
Rents	5.83%	7.26%	6.45%	4.10%	4.12%	2.12%
Interest Income	0.47%	0.29%	0.22%	0.36%	0.57%	0.46%
Other Income	3.57%	4.79%	7.49%	12.36%	7.01%	7.01%
<b>Totals Revenues</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Fiscal Year Ended June 30, Current Expense Fund Expenditures		2010	2009	2008	2007	
Current Expense Fund						
General Government	38.06%	35.65%	41.83%	36.68%	43.67%	34.27%
Public Safety, Police	31.98%	35.70%	32.48%	21.78%	31.21%	26.68%
Public Safety, Fire	6.67%	2.05%	1.96%	1.84%	1.69%	2.20%
City Maintenance	18.01%	19.04%	16.13%	15.10%	15.16%	15.74%
Capital Expenditures	5.28%	7.55%	7.60%	24.60%	8.26%	21.11%
<b>Totals Expenditures</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

City of Greensburg, Kentucky  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Then Ended June 30, 2012

Fiscal Years Ended June 30, Business-type (Sewer) Fund Revenues	2012	2011	2010	2009	2008	2007
Water Service	\$799,936	\$792,530	\$672,156	\$682,398	\$655,813	\$625,116
Sewer Service	\$349,165	\$311,403	\$312,244	\$295,020	\$269,788	\$265,898
Interest Income	\$4,457	\$5,211	\$10,192	\$15,373	\$19,470	\$19,548
Other Service	\$63,873	\$75,211	\$61,767	\$70,719	\$24,616	\$15,856
<b>Totals Revenues</b>	<u>\$1,217,431</u>	<u>\$1,184,355</u>	<u>\$1,056,359</u>	<u>\$1,063,510</u>	<u>\$969,687</u>	<u>\$926,418</u>

Business-type (Sewer) Fund, Fiscal Years Ended June 30, Revenues	2012	2011	2010	2009	2008	2007
Water Service	65.71%	66.92%	63.63%	64.16%	67.63%	67.48%
Sewer Service	28.68%	26.29%	29.56%	27.74%	27.82%	28.70%
Interest Income	0.37%	0.44%	0.96%	1.45%	2.01%	2.11%
Other Service	5.25%	6.35%	5.85%	6.65%	2.54%	1.71%
<b>Totals Revenues</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Fiscal Years Ended June 30, Business-type (Sewer) Fund Expenditures	2012	2011	2010	2009	2008	2007
Personnel Cost	\$568,192	\$558,783	\$536,595	\$463,078	\$380,331	\$371,209
Occupancy Expenses	\$114,006	\$110,153	\$88,543	\$47,849	\$86,235	\$88,094
Chemical and Testing Expenses	\$88,107	\$83,209	\$90,411	\$98,410	\$90,499	\$93,211
Maintenance and Repairs Expenses	\$148,172	\$141,337	\$54,177	\$66,833	\$53,340	\$64,353
Interest Expenses	\$115,779	\$107,172	\$96,898	\$90,830	\$94,491	\$105,934
Other Expenses	\$171,423	\$192,620	\$198,934	\$203,149	\$280,952	\$156,690
Depreciation and Amortization	\$376,869	\$326,455	\$311,691	\$270,884	\$256,236	\$260,481
<b>Totals Expenditures</b>	<u>\$1,582,548</u>	<u>\$1,519,729</u>	<u>\$1,377,249</u>	<u>\$1,241,033</u>	<u>\$1,242,084</u>	<u>\$1,139,972</u>

City of Greensburg, Kentucky  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Then Ended June 30, 2012

Fiscal Years Ended June 30, Business-type (Sewer) Fund Expenditures	2012	2011	2010	2009	2008	2007
Personnel Cost	35.90%	36.77%	38.96%	37.31%	30.62%	32.56%
Occupational Expenses	7.20%	7.25%	6.43%	3.86%	6.94%	7.73%
Chemical and Testing Expenses	5.57%	5.48%	6.56%	7.93%	7.29%	8.18%
Maintenance and Repairs Expenses	9.36%	9.30%	3.93%	5.39%	4.29%	5.65%
Interest Expenses	7.32%	7.05%	7.04%	7.32%	7.61%	9.29%
Other Expenses	10.83%	12.67%	14.44%	16.37%	22.62%	13.75%
Depreciation and Amortization	<u>23.82%</u>	<u>21.48%</u>	<u>22.64%</u>	<u>21.82%</u>	<u>20.63%</u>	<u>22.84%</u>
<b>Totals Expenditures</b>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

**Financial Audit  
As of the Year Ended  
June 30, 2012  
Management Discussion and Analysis  
By  
Mayor George “Lisle” Cheatham, II**

Over the past several years we have continued to see signs that our Community Development strategy is continuing to deliver positive benefits for the community and this year was not different. We are seeing not only continued efforts at new residential development but commercial development as well within the city. We have seen new businesses not only open in our downtown area but also in the outlying areas of town as well. The City’s redevelopment efforts have been a key factor in these positive developments. By investing in ourselves, it makes it much easier for others to invest in us!

When viewed in the backdrop of the current overall economic condition of the country, we should be very encouraged by our successes. However, the continued high unemployment rates, not only in Green County but also across the State as well as the United States, continue to be the biggest issue we face as a community. Our efforts at improving post-secondary educational access in the community, along with our continued active marketing of the community and region, are key to addressing this issue.

As I write this MD&A it is mid-January 2013, the national economy is still continuing to recover from what has become known as the “Great Recession”. While the private sector continues its recovery, the financial effects on Federal, State and Local Government will continue to be felt for several years to come. “Local Governments” are faced with rebuilding their “tax bases” while maintaining an ever more expensive organization and infrastructure. Greensburg has and will continue to be no different. While we have fared much better than other communities when it comes to the stability of our revenue streams, we are not immune to all the increased operational costs and unfunded mandates being passed on by both the federal government and the Kentucky State Legislature. With the Federal Stimulus money now a distant memory, the next several years will be even worse as the State continues to pass on the cost of government to the local level in an effort to clean up their books.

As warned in the past few audit reports – including the very first paragraph of last year’s audit report – the window of financial opportunity for the City is quickly shrinking. The cushion provided by the implementation of the Occupational & Business License Tax at the beginning of the decade continues to be eroded by increased day to day costs of operation – most of which we have very little, if any, control over – such as pension costs, employee benefit costs, utilities and insurance. Utility cost alone are projected to increase by 26% over just the next four years. To put that into perspective this means Greensburg will face an increase of over \$72,000 per year between now and 2016 just to pay the electric and gas bills for the city.

**2012 Fiscal Year Overview**

As always, when reviewing the financial condition of the City, it is best to break the discussion into at least two parts – the General Fund or, as it is sometimes called, the Current Expense Fund (CEF) and the Water and Sewer Fund, also referred to as Operation and Maintenance (O&M). The General Fund takes in all aspects of City Government such as Administration, Police, Fire, Public Works, the Renaissance Main Street Program and Community and Economic Development Departments. The final section of the audit strictly deals with the operation and maintenance of the Water and Wastewater Departments (O&M).

**Financial Audit  
As of the Year Ended  
June 30, 2012  
Management Discussion and Analysis**

The first item I would like to address is what I consider our base General Fund revenue – Property and Occupational Tax, Franchise, and License/Permit fees – was actually flat for the 2012 fiscal year. However, this was in keeping with the trend of the last few years as we had seen slowing in the growth of these revenue streams, as has much of the country. The previous year we saw growth of 2.46%, which was a decline from 2010's increase of 7.45% and 5.48% in 2009. Revenue generated from franchise and occupational taxes saw a decline, while insurance premium and property tax revenue saw an almost identical gain.

As for Operations & Maintenance, once adjusting for depreciation Water and Sewer saw a gain of just over \$10,000 – a first in over 13 years. However, it should be noted that 2012 was another year of basic maintenance expenses of over \$60,000, the majority of which would be avoided with the construction of a new Water Treatment facility scheduled to begin sometime in the 2014 fiscal year. This facility would replace the current plant, which is about to reach its 50 anniversary of service to Greensburg and Green County. Without a large financial cushion in place, the City must remain vigilant that the current rate structure is sufficient to cover the cost of operating and maintaining the quality and service of both the water and wastewater systems. This will remain a key to our ability to grow and attract residents as well as business and industry to our community.

**General Fund**

The City continues to maintain a solid base of working capital. The overall fund balance for CEF increased to \$557,500. This amount is an increase of over \$75,752 from last year. The overall Net Asset Value of the City's CEF or General Government continued to grow by \$103,098 to \$4,840,326 or 2.18%. I think these numbers gives the best picture of the true health and direction of the City's financial picture.

**Water and Wastewater Department (O&M)**

With all the work that went on to improve and repair both the Water and Wastewater systems during the 2011 and 2012 fiscal years, it can make it difficult to understand the true financial picture of the Operation and Maintenance system. Overall, Operation and Maintenance appears to have gained approximately \$109,610 on a cash basis in 2012, this was due to the completion of the Wastewater Treatment project and the City being reimbursed for it's out of pocket expenses accrued throughout the project.

In hindsight, this proves the rate increase implemented in 2010 did in fact get us nearly back to a break-even point – a fact that has now been proven during the 2012 Fiscal year. Again, as stated on many occasions, keeping utility rates at an adequate level to support operation not only makes good business sense, it is a requirement of our existing bond agreements and will continue to be a requirement from the funding agencies as we move forward in our efforts to maintain our current system.

Bottom-line, with all the improvements that have been made to both the water and wastewater systems over the past two years it's easy to understand why the Net Asset Value of the Greensburg Utility System grew by another \$844,667 in 2012.

**RCR**

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Certified Public Accountant  
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**Report of Independent Accountant**

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

I 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Greensburg, Kentucky's management. My responsibility is to express opinions on the basic government-wide financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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, each major fund of the City of Greensburg, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion pages 3 through 12, analysis and budgetary comparison information on pages 52 through 56, and information about infrastructure assets reported using the modified approach on pages 57 through 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Member:  
American Institute of Certified Public Accountants ~ Kentucky and Tennessee Societies of Certified Public Accountants  
Licensed to practice as a Certified Public Accountant in Indiana and Kentucky



City of Greensburg, Kentucky  
Statement of Net Assets  
As of June 30, 2012

Assets	Governmental	Primary Government	Totals
	Activities	Business-Type Activities	
Cash and Cash Equivalents	\$238,596	\$318,936	\$557,532
Investments	\$139,156	\$262,425	\$401,581
Trade Receivables, net of allowance for doubtful tax collections	\$317,310	\$16,844	\$334,154
Receivables, Water and Sewer Project		\$309,574	\$309,574
Interest Receivable	\$1,015		\$1,015
Notes Receivable, Interfund	\$39,733		\$39,733
Capital Assets			
General Government	\$5,019,912		\$5,019,912
Water and Sewer System		\$11,180,996	\$11,180,996
Accumulated Depreciation	(\$712,096)	(\$6,338,335)	(\$7,050,431)
Unamortized Bond Discount		\$2,091	\$2,091
Unamortized Loss on Extinguishment of Debt		\$12,293	\$12,293
Water Bond Sinking Fund		\$104,099	\$104,099
Due from Funds	\$421,755	\$148,456	\$570,211
Notes Receivable, Interfund	\$24,271		\$24,271
Long Term Receivables	\$90,000		\$90,000
Other Long Term Assets	\$22,375	\$10,789	\$33,164
<b>Total Assets</b>	<b>\$5,602,027</b>	<b>\$6,028,168</b>	<b>\$11,630,195</b>
Liabilities			
Accounts Payable	\$45,704	\$16,621	\$62,325
Accrued Expenses	\$80,888	\$2,024	\$82,912
FEMA Reimbursements		\$56,519	\$56,519
Customer Deposits		\$50,926	\$50,926
Bonds and Notes Payable			
Due Within One Year	\$51,718	\$128,735	\$180,453
Due in More Than One Year	\$344,358	\$2,724,497	\$3,068,855
Unamortized Gain on Loan Restructure		\$78,816	\$78,816
Due to Funds	\$220,663	\$349,548	\$570,211
Notes Payable, Interfund			\$0
Due Within One Year		\$39,733	\$39,733
Due in More Than One Year		\$24,271	\$24,271
Other Long Term Liabilities	\$18,370	\$10,789	\$29,159
<b>Total Liabilities</b>	<b>\$761,701</b>	<b>\$3,482,479</b>	<b>\$4,244,180</b>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$3,911,740	\$1,925,425	\$5,837,165
Restricted for:			
Restricted for Debt Service		\$57,990	\$57,990
Customers' Deposits		\$50,926	\$50,926
Municipal Street Fund	\$26,337		\$26,337
Restricted Cash Funds	\$57,038	\$99,902	\$156,940
Unrestricted	\$845,211	\$411,446	\$1,256,657
<b>Total Net Assets</b>	<b>\$4,840,326</b>	<b>\$2,545,689</b>	<b>\$7,386,015</b>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues		Operating Grants	Net (Expense) Revenue and Changes in Net Assets	
	Charges for			Primary Governmental	Government Business-type
	<u>Expenses</u>	<u>Services</u>		<u>Activities</u>	<u>Totals</u>
<b>Governmental Activities</b>					
General Government	(\$1,339,542)	\$13,332	\$25,560	(\$1,300,650)	(\$1,300,650)
Special Revenue Activity	(\$1,471)		\$64,416	\$62,945	\$62,945
<b>Total Governmental Activities</b>	<b>(\$1,341,013)</b>	<b>\$13,332</b>	<b>\$89,976</b>	<b>(\$1,237,705)</b>	<b>\$0</b>
<b>Business-type Activities</b>					
Water and Sewer Services	(\$1,582,548)	\$1,166,196	\$1,209,784	\$0	\$793,432
<b>General Revenues</b>					
Property Taxes				\$213,267	\$213,267
Occupational/Net Profits Taxes				\$443,455	\$443,455
Fees, Licenses and Permits				\$417,497	\$417,497
Intergovernmental Revenue				\$49,393	\$49,393
Rent Income				\$84,157	\$84,157
Grant Revenue				\$73,875	\$73,875
Other Income				\$52,331	\$46,778
Unrestricted Interest Income				\$6,774	\$6,774
Restricted Interest Income				\$54	\$4,457
<b>Total General Revenues</b>				<b>\$1,340,803</b>	<b>\$51,235</b>
<b>Net Change, Governmental and Business-type Activities</b>				<b>\$103,098</b>	<b>\$844,667</b>
<b>Net Assets, July 1, 2011</b>				<b>\$4,737,228</b>	<b>\$1,701,022</b>
<b>Net Assets, Ending, June 30, 2012</b>				<b>\$4,840,326</b>	<b>\$2,545,689</b>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
 Balance Sheet - Governmental Funds  
 As of June 30, 2012

	<b>General Government <u>Fund</u></b>	<b>Debt Service <u>Fund</u></b>	<b>Municipal Aid <u>Fund</u></b>	<b><u>Totals</u></b>
<b>Assets</b>				
Cash and Cash Equivalents				
Cash	\$181,558			\$181,558
Cash, Restricted	\$31,716		\$25,322	\$57,038
Investments	\$139,156			\$139,156
Receivables, Net	\$317,310			\$317,310
Interest Receivable			\$1,015	\$1,015
Notes Receivable, Interfund	\$39,733			\$39,733
<b>Total Assets</b>	<u>\$709,473</u>	<u>\$0</u>	<u>\$26,337</u>	<u>\$735,810</u>
<b>Liabilities</b>				
Accounts Payable	\$45,704			\$45,704
Accrued Expenses	\$80,888			\$80,888
Bonds and Notes Payable, Current	\$51,718			\$51,718
<b>Total Liabilities</b>	<u>\$178,310</u>	<u>\$0</u>	<u>\$0</u>	<u>\$178,310</u>
<b>Fund Balance</b>				
Non-spendable Fund Balance				
Receivables, Net	\$317,310			\$317,310
Interest Receivable			\$1,015	\$1,015
Restricted Fund Balance				
Assigned Programs	\$31,716			\$31,716
Municipal Aid Fund			\$25,322	\$25,322
Non-restricted Fund Balance				
Unassigned Fund Balance	\$182,137			\$182,137
<b>Total Fund Balances</b>	<u>\$531,163</u>	<u>\$0</u>	<u>\$26,337</u>	<u>\$557,500</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$709,473</u>	<u>\$0</u>	<u>\$26,337</u>	<u>\$735,810</u>

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**To the Statement of Net Assets**  
**As of June 30, 2012**

**Total Fund Balance - Total Governmental Funds** \$557,500

**Amounts reported for *Governmental Activities* in the Statement  
of Net Assets are different because:**

Capital assets of \$4,307,816 (net) are not financial resources, and  
therefore, are not reported in the funds. \$4,307,816

Internal Due To/Due From Funds Accounts are not financial  
resources during the current period, and therefore, are not  
reported in the funds. \$201,092

Notes Receivable, Interfund are not financial resources during  
the current period, and therefore are not reported in the funds. \$24,271

Long-term receivables of \$90,000 are not financial resources,  
and therefore, are not reported in the funds. \$90,000

Long-term assets of \$22, 375 are not financial resources,  
and therefore, are not reported in the funds. \$22,375

Long-term portion of debt is not due in the current period and  
and is not reported in the funds. See Note D General  
Long-term Debt for details. (\$344,358)

Other Long-term liabilities of \$18,370 are not due in  
the current period and are not reported in the funds. (\$18,370)

**Net Assets of Government Activities** \$4,840,326

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
Statement of Revenues, Expenditures  
And Changes in Fund Balances -  
Governmental Fund  
Year Ended June 30, 2012

	<b>General Government <u>Fund</u></b>	<b>Debt Service <u>Fund</u></b>	<b>Municipal Aid <u>Fund</u></b>	<b><u>Totals</u></b>
<b>Revenues</b>				
Franchise Fees	\$134,443			\$134,443
Insurance Premium Tax	\$283,054			\$283,054
Occupational Tax	\$443,455			\$443,455
Property Tax	\$213,267			\$213,267
Rent Income	\$84,157			\$84,157
Other Revenues	\$65,661			\$65,661
Intergovernmental Revenues	\$74,953		\$64,416	\$139,369
Grant Revenues	\$73,875			\$73,875
Interest Income	\$6,774		\$54	\$6,828
<b>Total Revenues</b>	<u>\$1,379,639</u>	<u>\$0</u>	<u>\$64,470</u>	<u>\$1,444,109</u>
<b>Expenditures</b>				
General Government	(\$1,185,785)			(\$1,185,785)
Municipal Streets			(\$1,471)	(\$1,471)
Debt Service				
Principal		(\$37,916)		(\$37,916)
Interest		(\$20,614)		(\$20,614)
Capital Outlay	(\$121,614)			(\$121,614)
<b>Total Expenditures</b>	<u>(\$1,307,399)</u>	<u>(\$58,530)</u>	<u>(\$1,471)</u>	<u>(\$1,367,400)</u>
<b>Excess of Revenues and Grants Over (Under) Expenditures</b>	<u>\$72,240</u>	<u>(\$58,530)</u>	<u>\$62,999</u>	<u>\$76,709</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds for Long-term Debt	\$75,236			\$75,236
Transfers from Other Funds	(\$77,273)	\$77,273		\$0
Transfers from Other Funds	\$29,807		(\$29,807)	\$0
Transfers from Other Funds	(\$58,334)	\$58,334		\$0
Transfers from Other Funds	\$48,043		(\$48,043)	\$0
<b>Net Other Financing Sources (Uses)</b>	<u>\$17,479</u>	<u>\$135,607</u>	<u>(\$77,850)</u>	<u>\$75,236</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	\$89,719	\$77,077	(\$14,851)	\$151,945
<b>Fund Balances, July 1, 2011</b>	\$517,567	(\$77,077)	\$41,188	\$481,678
<b>Prior Period Adjustment</b>	(\$76,123)			(\$76,123)
<b>Fund Balances, June 30, 2012</b>	<u>\$531,163</u>	<u>\$0</u>	<u>\$26,337</u>	<u>\$557,500</u>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
 Reconciliation of the Statement of  
 Revenues, Expenditures, and Changes  
 In Fund Balances of Governmental Funds  
 To the Statement of Activities  
 As of June 30, 2012

Net change in fund balance- total governmental funds \$151,945  
 Amounts reported for *governmental activities* in the statement of  
 activities are different because:

Governmental funds report capital outlays as expenditures. However,  
 in the statement of activities, the cost of those assets is allocated  
 over their estimated useful lives and reported as depreciation expense.  
 This is the amount of capital outlays reported in the current fiscal  
 year ended June 30, 2012. \$121,614

Amortization and depreciation is not recognized as an expense in  
 governmental funds since it does not require the use of current financial  
 resources. The effect of recording the current year's amortization and  
 depreciation is to decrease net assets. (\$133,143)

The proceeds of debt issuance provide current financial resources  
 to governmental funds, but the issuing debt increases long-  
 term liabilities in the statement of net assets. Repayment of the  
 debt principal is an expenditure in the governmental funds, but  
 repayment reduces long-term liabilities in the statement of  
 net assets. This is the amount by which debt principal was reduced. \$37,916

The proceeds of debt issuance provide current financial resources  
 to governmental funds, but the issuing debt increases long-  
 term liabilities in the statement of net assets. Proceeds from incurring  
 debt principal is revenue in the governmental funds, but  
 incurring the debt increases long-term liabilities in the statement of  
 net assets. This is the amount by which debt principal was increased. (\$75,236)

Rounding \$2  
**Change of net assets of governmental activities** \$103,098

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Balance Sheet - Proprietary Funds**  
**As of June 30, 2012**

**Assets**

**Current Assets:**

Cash and Cash Equivalents	\$318,936
Investments	\$262,425
Receivables, net of allowance for doubtful tax collections	\$326,418
<b>Total Current Assets</b>	<u>\$907,779</u>

**Non-current Assets**

<b>Capital Assets</b>	
Water and Sewer System	\$11,180,996
Accumulated Depreciation	(\$6,338,335)
Unamortized Bond Discount	\$2,091
Unamortized Loss on Extinguishment of Debt	\$12,293
Water Bond Sinking Fund	\$104,099
Due from Funds	\$148,456
Other Long-term Assets	\$10,789
<b>Total Non-current Assets</b>	<u>\$5,120,389</u>
<b>Total Assets</b>	<u>\$6,028,168</u>

**Liabilities**

**Current Liabilities**

Accounts Payable	\$16,621
Accrued Expenses	\$2,024
FEMA Reimbursements	\$56,519
Customer Deposits	\$50,926
Bonds and Notes Payable	
Due Within One Year	\$128,735
Notes Payable, Interfund	
Due Within One Year	\$39,733
<b>Total Current Liabilities</b>	<u>\$294,558</u>

**Non-current Liabilities**

Unamortized Gain on Loan Restructure	\$78,816
Bonds and Notes Payable	
Due in More Than One Year	\$2,724,497
Due to Funds	\$349,548
Notes Payable, Interfund	
Due in More Than One Year	\$24,271
Other Long-term Liabilities	\$10,789
<b>Total Non-current Liabilities</b>	<u>\$3,187,921</u>
<b>Total Liabilities</b>	<u>\$3,482,479</u>

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Balance Sheet - Proprietary Funds**  
**As of June 30, 2012**

<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	\$1,925,425
Restricted for:	
Restricted for Debt Service	\$57,990
Customers' Deposits	\$50,926
Restricted Cash Funds	\$99,902
Non-restricted	<u>\$411,446</u>
<b>Total Net Assets</b>	<u>\$2,545,689</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$6,028,168</u></u>

The accompanying notes are an integral part of the financial statements.



**City of Greensburg, Kentucky**  
**Statement of Revenues, Expenditures and Changes in**  
**Net Assets - Proprietary Fund**  
**For The Year Ended June 30, 2012**

**Operating Revenues**

Sewer Service	\$349,165
Water Service	\$799,936
Water GT PSC Repayment	\$3,704
Water Meter Connection	\$13,391
<b>Total Operating Revenues</b>	<u>\$1,166,196</u>

**Operating Expenses**

Salaries and Benefit Expenses	\$577,381
Contractual	\$38,828
Materials and Supplies	\$128,083
Repairs and Maintenance	\$148,172
Utilities	\$114,006
Other Expenses	\$83,430
<b>Total Operating and Maintenance Expenses</b>	<u>\$1,089,900</u>

<b>Operating Income Before Depreciation</b>	\$76,296
Depreciation and Amortization	<u>\$376,869</u>
<b>Operating Income (Loss)</b>	<u>(\$300,573)</u>

**Non - Operating Revenues (Expenses)**

Interest Expense	(\$115,779)
Gain on Loan Restructuring	\$8,757
Health Insurance Reimbursement	\$4,567
Interest Income	\$4,457
Insurance Proceeds	\$5,555
Other Income	\$27,899
Grant Revenue	\$1,209,784

<b>Total Non - Operating Income (Expenses)</b>	<u>\$1,145,240</u>
<b>Change in Net Assets</b>	\$844,667

**Total Net Assets, July 1, 2011** \$1,701,022

**Total Net Assets, June 30, 2012** \$2,545,689

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2012

**Water and  
Sewer  
Utility**

**Cash Flow from Operating Activities:**

Cash Received from Customers	\$1,169,444
Cash Payments made to Suppliers for Goods and Services	(\$616,209)
Cash Payments made to Employees and Professional Contractors for Services	(\$505,251)

**Net Cash Provided by Operating Activities** \$47,984

**Cash Flows from Capital and Related Financing Activities:**

Increase in Long - term Debt	\$1,320,285
Decrease in Long - term Debt	(\$779,805)
Increase in Due From Funds	(\$7,619)
Increase in Due To Funds	\$192,326
Increase in Water Bond Sinking Fund	(\$20,270)
Increase in Receivables Water and Sewer Project	(\$309,574)
Decrease in Customer Deposits	(\$891)
Decrease in Long-term Receivables	\$2,500
Bond Interest Expense	(\$115,779)
Increase in Capital Assets	(\$1,460,263)

**Net Cash (Used) by Capital and Related Financing Activities** (\$1,179,090)

**Cash Flows from Investing Activities**

Grant Revenue	\$1,209,784
Health Insurance Reimbursements	\$4,567
Increase in Investments	(\$11,546)
Insurance Proceeds	\$5,555
Interest Income	\$4,457
Other Income	\$27,899

**Net Cash Provided by Investing Activities** \$1,240,716

**Net Increase in Cash and Cash Equivalents** \$109,610

**Cash and Cash Equivalents June 30, 2011** \$209,326

**Cash and Cash Equivalents June 30, 2012** \$318,936

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2012**

	<b>Water and Sewer <u>Utility</u></b>
<b>Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	(\$300,573)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and Amortization	\$372,775
Loss on Debt Extinguishment	\$4,094
Increases (Decreases) In:	
Trade Receivables	\$3,248
Accounts Payable	(\$31,937)
Accrued Expenses	(\$56,142)
FEMA Reimbursements	\$56,519
<b>Net Cash Provided by Operating Activities</b>	<b><u><u>\$47,984</u></u></b>

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended**

<b>Note</b>	<b>Description</b>	<b>Page</b>
A	Summary of Significant Accounting Policies	26-34
B	Deposits and Investments	34-35
C	Capital Assets	36-37
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E	Bonds Leases and Notes Payable	37-40, 46-50
F	Compliance with Bond Ordinance	40-41
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J	Pension Plan	42-43
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M	Defeasance of Debt	43-45, 48-50
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**Note A Summary of Significant Accounting Policies**

These financial statements of the City of Greensburg, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

**Reporting Entity**

Entity status for financial reporting purposes is governed by Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*. The GASB is the standard setting body for the establishment of GAAP in governmental entities. Determination of the financial reporting entity of the City is founded upon the objective of accountability. Therefore, these financial statements include the City government (the primary government).

The City of Greensburg, Kentucky was incorporated December 4, 1794. The City operates under a Mayor-Council form of government. The City's major operations include fire and police protection, parks and recreation, and general administrative services. In addition, the City operates a water and sewer system.

The citizens of Greensburg elect a mayor-at-large and six (6) city council members.

The financial statements of the City of Greensburg, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, and participate in fiscal management and the scope of public service.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended**

**Note A Summary of Significant Accounting Policies (continued)**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Government-wide Financial Statements Measurement Focus and Basis of Accounting*

The City Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

*Governmental Fund Financial Statements Measurement Focus and Basis of Accounting*

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified receivables as being Nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2012.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment. No funds have been assigned as of June 30, 2012.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

*Proprietary Fund Financial Statements Measurement Focus and Basis of Accounting*

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**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.

**Budgetary Information, Compliance and Accountability**

Annual budgets are adopted on a basis consistent with Section 91A .030 of the Kentucky Revised Statutes (KRS) for the general, enterprise fund and the special revenue fund. Budgets for all government activities and business-type activities are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before June 30<sup>th</sup> of each year, the Mayor must present the proposed budget to the City’s Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than July 1<sup>st</sup> of the new fiscal year.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the governing council. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

**Encumbrance Accounting**

Encumbrance accounting is a system under which purchase orders, contracts and other commitments for the expenditures of City moneys are recorded as a reservation of budget. The City does not use the encumbrance system of accounting to record and track budgeted expenses.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Investments**

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; and the state treasurer's investment pool.

**Accounts Receivable**

Amounts due from private individuals, businesses, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Water and Sewer Utilities System enterprise funds.

**Notes Receivable**

The City General Fund has an agreement with the City Enterprise Fund under which cash was advanced to City Enterprise Fund for the purpose of providing operating capital. The advance, \$62,800, is reported as Notes Receivable in Governmental Activities and Notes Payable in the Business Type Activities, Statement of Assets, net of repayments made during fiscal year end June 30, 2012. No uncollectible allowance has been established for the receivables.



**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

**Inter-fund Transactions**

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Inter-fund receivables and payables as of June 30, 2012, are as follows:

	<u>Inter - fund Payables</u>	<u>Inter - fund Receivables</u>
General Fund	\$220,663	\$421,755
Enterprise Fund	<u>349,548</u>	<u>148,456</u>
	<u>\$570,211</u>	<u>\$570,211</u>

Repayment of the inter-fund account balances is anticipated during the coming fiscal year ended June 30, 2012.

**Inventories**

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

**Restricted Assets**

The use of certain assets of general government funds and business - type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as noncurrent if they are for the acquisition or construction of capital assets, for liquidation of long- term debt or other than current operations.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$1,000 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.

Capital assets are depreciated using the straight – line method. The estimated lives of the capital assets being depreciated are based upon the Internal Revenue Service guidelines for corresponding assets.

**Impairment Loss**

General Government Activities and Business – type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer of service for City use.

**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 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.

**Operating and Non-operating Revenues and Expenses**

The business – type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for water and wastewater treatment services of the City's utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

**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 valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salary and fringe benefits.

**Fund Balance Reserves and Designations**

Reserves of fund balances in the governmental financial statements and business-type activities financial statements represent portions of funds balance which are not available to be appropriated for expenditures or which have been segregated for specific future uses. The fund balance reserves in governmental funds and business-type activities funds as of June 30, 2012 are for long-term notes, deposits, and debt service reserves. Designations of fund balances of governmental funds and business-types activities funds represent tentative plans for financial resources utilization in a future period. Such designations are subject to change and may never be legally authorized for expenditure or result in expenditures.

Details of unreserved fund balances for governmental funds are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Designated for Subsequent Year's Expenditures	\$845,211	\$411,446

None of the net assets are restricted by enabling legislation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note A Summary of Significant Accounting Policies (continued)**

- Face value payment period To December 31
- Past due date, 10% penalty January 1
- Interest charges 1.0% per month effective January 1

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

**Note B Deposits and Investments**

The City maintains and controls ten (10) cash accounts of the primary government. The cash accounts are as follows:

Cash in bank, checking account (1 non - restricted)	\$181,558
Cash in bank, checking accounts (8 restricted)	41,959
Cash in bank, savings account (1)	<u>15,079</u>
	<u>\$238,596</u>

The City maintains and controls nine (9) cash accounts of the business-type activity. The cash accounts are as follows:

Cash in bank, checking accounts (2 restricted)	\$66,090
Cash in bank, checking accounts (7 non - restricted)	<u>252,846</u>
	<u>\$318,936</u>

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three (3) months or less to be cash equivalents.

*Concentration of Credit Risk*

As of June 30, 2012 City funds are deposited in the three local financial institutions, Community Trust Bank, 2%, PBI Bank, 30% and Forcht Bank, 68%.

*Custodial Credit Risk*

In accordance with commonwealth law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market value or par. Acceptable collateral includes certain United States Government or Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, including surety bonds permitted by Kentucky revised Statute (KRS) 41.240(4). As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City of Greensburg, Kentucky must have a written agreement approved by the board of directors or loan committee.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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For the Fiscal Year Then Ended**

**Note B Deposits and Investments (continued)**

The carrying value of all City of Greensburg's deposits and investments in Forcht Bank as of June 30, 2012 is \$690,255. At June 30, 2012, the Federal Deposit Insurance Corporation (FDIC) insured the first \$250,000 of the total of deposits at financial intuitions. Total funds deposited in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City of Greensburg. Pledged securities are as follows:

<u>Security</u>	<u>Original Face</u>	<u>Book Value</u>	<u>Market Value</u>
<u>Forcht Bank</u>			
Ashland, KY Independent School District	\$300,000	\$300,000	\$350,445
GNMA I Pool	\$100,000	\$89,810	\$92,610
GNMA I Pool	\$200,000	\$179,620	\$185,219
GNMA II Pool	\$300,000	\$287,058	\$285,215
Lincoln Cty Sch Dist	\$300,000	\$296,501	\$334,746
Marshall Cty Sch Dist	\$300,000	\$294,354	\$303,045

The securities are in the name of Forcht Bank and are being held by SunTrust Bank.

The carrying value of all City of Greensburg's deposits and investments in PBI Bank as of June 30, 2012 is \$353,988. At June 30, 2012, the Federal Deposit Insurance Corporation (FDIC) insured the first \$250,000 of the total of deposits at financial intuitions. Total funds deposited in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City of Greensburg.

<u>Security</u>	<u>Original Face</u>	<u>Book Value</u>	<u>Market Value</u>
Federal Home Loan Bank	\$500,000	\$483,729	\$508,710
Breathitt Cnty Justice Center	\$200,000	\$199,366	\$205,556

The securities are in the name of BPI Bank and are being held by First Tennessee Bank.

Kentucky Revised Statutes (KRS) authorizes municipalities to invest in obligation of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

<u>Investments consist of the following:</u>	<u>General Government</u>	<u>Business-type</u>
<u>Description</u>	<u>Value</u>	<u>Value</u>
Certificate of Deposit	\$66,887	\$74,223
Certificate of Deposit	66,887	3,552
Certificate of Deposit	2,382	7,770
Certificate of Deposit	3,000	48,167
Certificate of Deposit		109,683
Certificate of Deposit		7,900
Certificate of Deposit		2,114
Certificate of Deposit		3,763
Savings Accounts (2)		5,253
	<u>\$139,156</u>	<u>\$262,425</u>

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note B Deposits and Investments (continued)**

The interest rates on the certificates of deposits range from 1.59% to 2.20%.

**Note C Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

<u>Capital Asset Class</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
<u>Government Activities</u>				
Land	\$92,686	\$ 0	0	\$92,686
Buildings	2,352,433	19,075	0	2,371,508
Equipment	209,645	7,520	0	217,165
Furniture	28,124	0	0	28,124
Software	24,885	0	0	24,885
Vehicles	220,653	75,060	0	295,713
Streetscape	1,808,721	19,960	0	1,828,681
Connector Road	161,150	0	0	161,150
	<u>\$4,898,297</u>	<u>\$121,615</u>	<u>(\$ 0)</u>	<u>\$5,019,912</u>
<u>Accumulated Depreciation</u>				
	<u>\$578,953</u>	<u>\$133,143</u>	<u>\$ 0</u>	<u>\$712,096</u>
Net Government Capital Assets	<u>\$4,319,344</u>	<u>(\$11,528)</u>	<u>(\$ 0)</u>	<u>\$4,307,816</u>
<u>Enterprise Capital Assets</u>				
Land	\$25,450	\$120,000	\$ 0	\$145,450
Equipment	426,823	6,290	0	433,113
Buildings	77,731	0	0	77,731
Sewer System	4,213,932	1,269,033	0	5,482,965
Vehicle	101,030	0	0	101,030
Water System	4,875,767	64,940	0	4,940,707
	<u>9,720,733</u>	<u>1,460,263</u>	<u>0</u>	<u>11,180,996</u>
<u>Accumulated Depreciation</u>				
	<u>5,966,602</u>	<u>371,733</u>	<u>0</u>	<u>6,338,335</u>
Net Enterprise Capital Assets	<u>\$3,754,131</u>	<u>\$1,088,530</u>	<u>\$ 0</u>	<u>\$4,842,661</u>

The following methods and estimated service lives are being used to calculate depreciation:

<u>Asset</u>	<u>Estimated Life</u>	<u>Depreciation Method</u>
Governmental Activities	5-25 year life	Straight line
Business-type Activity		
Water and Sewer System	7-30 year life	Straight-line

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note C Capital Assets (continued)**

The City elected not to retroactively capitalize the cost of approximately eighteen (18) miles of municipal streets. The municipal streets were constructed prior to fiscal year ended June 30, 1980, and systematic repairs and maintenance have maintained them. The City will continue its policy of expensing the cost of repairs and maintenance to its municipal streets.

The City does not have any capital assets that are considered impaired or idle as of June 30, 2012.

There were no intra – entity transfers of capital assets during fiscal year ended June 30, 2012.

Tangible and intangible property (capital assets) having a cost of \$1,000.00 and more and having an initial useful life that extends beyond a single reporting period are classified as capital assets.

**Note D Receivables**

As of June 30, 2012, the Receivables due the City consist of the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Click it or Ticket Grant	\$985	
COPS Grant	21,254	
DLG Fire House Grant	10,800	
Emergency 911	63,435	
Fire/EMS Hazard Mitigation	5,800	
Franchise Fees	6,118	
Insurance Premium Tax	80,167	
KLEFPF	1,795	
Licenses	175	
Property Tax Revenue	1,662	
Delinquent Property Tax	17,899	
Occupational Tax	105,717	
Vehicle Tax	1,503	
Utility Service Customers		\$16,844
Less Provision for Uncollectible Accounts	-0-	-0-
Net Receivables	<u>\$317,310</u>	<u>\$16,844</u>

**Note E Bonds, Leases and Notes Payable**

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

Governmental Activities

As of June 30, 2012, the governmental debt of the City of Greensburg, Kentucky consisted of the following:

**City of Greensburg, Kentucky**  
**Notes to Financial Statements**  
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**Note E Bonds, Leases and Notes Payable (continued)**

<u>Notes Payable:</u>	<u>Balance</u>	<u>Current</u>
PBI Bank Inc. Note Payable, original issue amount of \$60,000; dated March 14, 2011; secured by PBI Bank certificate of deposit No. 212434610; interest rate of 5.25% with final maturity dated June 30, 2013	\$10,000	\$10,000
PBI Bank, Inc. Note Payable, original issue amount of \$137,245; dated January 9, 2012; secured by real property located at 106 West Court Street, Greensburg, Kentucky; interest rate of 5%; with final maturity dated January 9, 2024	\$114,328	7,478
PBI Bank, Inc. Note Payable, original issue amount of \$75,236; dated February 21, 2012; secured by police vehicles (3); interest rate of 3.25%; payments due quarterly; final maturity dated February 21, 2017	\$71,748	14,240
The Huntington National Bank Fixed Rate Swap Lease, 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	\$200,000	20,000
<b>Total Notes Payable and Fixed Rate Swap Lease</b>	<b>\$396,076</b>	<b>\$51,718</b>

Business-type Activities

As of June 30, 2012, the long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

	<u>Balance</u>	<u>Current</u>
United States Department of Agriculture (USDA) Rural Development Revenue Bonds; original issue amount of \$1,852,000; dated April 13, 1993; secured by City utility revenues; interest rate of 5%; with final maturity dated January 1, 2031	\$1,328,000	\$44,000
United States Department of Agriculture (USDA) Rural Development; original issue amount of \$450,000; dated September 19, 2011; secured by City utility revenues; interest rate of 4.125%; with final maturity dated January 1, 2048	\$439,600	5,500
Kentucky Infrastructure Authority (KIA) Note Payable; original issue amount \$542,486; dated May 9, 1989; secured by City utility revenues; interest rate is variable; with final maturity dated January 1, 2016	\$369,583	5,000



**City of Greensburg, Kentucky  
Notes to Financial Statements  
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**Note E Bonds, Leases and Notes Payable (continued)**

	<u>Balance</u>	<u>Current</u>
Kentucky League of Cities (KLC) Morehead Pool 2007 Variable Rate Note; original issue amount of \$100,000; dated February 16, 2006; unsecured note; interest rate is variable; with final maturity dated April 1, 2026	\$76,584	4,313
PBI Bank, Inc.; original issue amount \$300,085; dated November 30, 2011; secured by government contract for EDA on sewer extension project; interest rate is 3.25%; with final maturity date November 30, 2012	\$69,265	69,265
United States Department of Agriculture (USDA) Rural Development; original issue amount of \$450,000; dated November 10, 2011; unsecured note; interest rate is 2.25%; with final maturity date November 2051	\$450,000	0
Forcht Bank; original issue amount \$120,200; dated May 1, 2012; unsecured note; interest rate is 3.5%; with final maturity date September 1, 2014	<u>\$120,200</u>	<u>657</u>
<b>Total Bonds and Notes Payable</b>	<b><u>\$2,853,232</u></b>	<b><u>\$128,735</u></b>

As of June 30, 2012, the interfund long - term debt payable from business-type activities (proprietary fund) resources consisted of the following:

	<u>Balance</u>	<u>Current</u>
City of Greensburg Current Expense Fund (CEF);		
(a) original issue \$62,800; dated April 10, 2012; non secured; interest rate is 4.0%; \$1,854 due monthly; due April 2013	\$16,412	\$16,412
(b) original issue \$70,000; dated February 6, 2012; non-secured; interest rate is 4.0%; \$2,067 due monthly; due June 2014	\$47,592	\$23,321
<b>Total Notes Payable, Interfund</b>	<b><u>\$64,004</u></b>	<b><u>\$39,733</u></b>

The following is a summary of changes in long - term debt outstanding for the year ended June 30, 2012:

<u>General Government Activities June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
\$60,000, PBI Bank, due June 30, 2013, interest @ 5.25%, secured by certificate of deposit	\$18,393	0	(\$8,393)
			\$10,000

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended**

**Note E Bonds, Leases and Notes Payable (continued)**

<u>General Government Activities</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
\$137,245, PBI Bank, dated January 9, 2012; secured by real property located at 106 West Court Street, Greensburg, KY; interest rate of 5%; due January 9, 2024	120,363	0	(6,035)	114,328
\$75,236, PBI Bank, due February 21, 2017, 3.25% interest annual interest, secured by police vehicles (3)	0	75,236	(3,488)	71,748
\$300,000, Huntington National Bank Fixed Rate Swap Lease, original issue amount of \$300,000; dated July 18, 2005; secured by personal property; interest rate 3.88% fixed; with final maturity dated April 1, 2020	220,000	0	(20,000)	200,000
	<u>\$358,756</u>	<u>\$75,236</u>	<u>(\$37,916)</u>	<u>\$396,076</u>

Revenues from the Current Expense (General Government Activities) Fund were used during fiscal year ended June 30, 2012 to retire long-term obligations of the City. \$20,614 interest expense is included in Current Expenses (General Government Activities) direct expenses in the statement of activities.

<u>Business-type Activities</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
United States Department of Agriculture (USDA) Rural Development Revenue Bonds 1993 Series; maturing January 1, 2031, interest @ 5.00%	\$1,369,000	\$ 0	(\$41,000)	\$1,328,000
1989 F Kentucky Infrastructures Authority (KIA) Revenue Bonds, original issue \$542,486; maturing through January 1, 2016, interest variable	374,583	0	(5,000)	369,583
United States Department of Agriculture (USDA) Rural Development, original issue \$450,000 due January 1, 2048, interest @ 4.125%, secured by revenue bonds	444,900	0	(5,300)	439,600

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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For the Fiscal Year Then Ended**

**Note E Bonds, Leases and Notes Payable (continued)**

<u>General Government Activities June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>	
Kentucky League of Cities Long-term Lease Agreement, original issue \$100,000; due April 1, 2026, variable interest rate, secured By City revenues	80,729	0	(4,145)	76,584
PBI Bank, Inc., original issue \$300,085; due November 30, 2012; interest @ 3.25%, unsecured	0	300,085	(230,820)	69,265
United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; due November 2051; interest @ 2.25%; unsecured	0	450,000	0	450,000
Forcht Bank, original issue \$120,200; due September 1, 2014, interest @ 3.5%, unsecured	0	120,200	0	120,200
	<u>\$2,269,212</u>	<u>\$870,285</u>	<u>\$286,265</u>	<u>\$2,853,232</u>

Revenues from the Enterprise Fund (Business - type Activities) were used during fiscal year ended June 30, 2012 to retire long-term obligations of the City.

\$115,779 interest expense is included in Enterprise Fund (Business-type Activities) direct expenses in the statement of activities.

The annual requirements (principal, interest and fees) to amortize the long-term debt outstanding as of June 30, 2012 are detailed on page 45.

**Note F Compliance with Bond Ordinance**

The City of Greensburg Water and Sewer Revenue Bonds of 1992 ordinance requires the City to create and maintain separate funds or accounts for the Sewer Fund.

- **Depreciation** - This account is to receive from the remaining revenues of the system \$916 each month. 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.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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For the Fiscal Year Then Ended**

**Note F Compliance with Bond 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 risk of loss to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. In addition to its general liability insurance, the City also carries commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

<i>Amount per Occurrence</i>	<i>Type of Coverage</i>
\$2,000,000	General liability, each occurrence
\$100,000	Damages to rented premises
\$2,000,000	Personal injury
\$6,000,000	General annual aggregate
\$6,000,000	Product liability
\$2,000,000	Automobile liability
\$1,000,000	Excess umbrella liability, each occurrence
\$1,000,000	Excess umbrella liability, aggregate
\$4,000,000	Workers' compensation, statutory
\$2,000,000	Public officials, wrongful act
\$6,000,000	Public officials, annual aggregate
\$2,000,000	Law enforcement, wrongful act
\$6,000,000	Law enforcement, annual aggregate

**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 Pension Plan**

The City of Greensburg is a participating employer of the County Employees' Retirement System (CERS) (a division of the Commonwealth of Kentucky Retirement System), which is a multi-employer defined benefit plan that covers substantially all regular full-time employees of each county, school board,

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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For the Fiscal Year Then Ended**

**Note J Pension Plan (continued)**

municipal and other local agencies electing to participate. Upon election to participate in the CERS, each employee has the option to participate, however, all subsequent employees must participate and the employer is required to continue participation.

Employees who retire at age 65 and have 48 or more months of credit service or have 27 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 2% of the average annual salary of the members' highest earning years multiplied by the number of years of service credit. Members retiring at less than 55 years of age with 25 to 27 years of service credit or 65 years of age with less than 48 months of service credit are entitled to reduced benefits. Members' retirement benefits become fully vested when they complete sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981 thereafter through June 30, 1986, and 4% thereafter.

Employer contribution rates are intended to fund the System' normal cost on a current basis plus one percent (1%) of unfunded past service cost per annum plus interest at the actuarial assumed rate. The Board of Trustees of Kentucky Retirement Systems determines such contribution rates each biennium.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help the users assess the System's funding status on a going-concern basis, and assess progress made in the public employee retirement system (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

The funded status as of the latest valuation date (June 30, 2011) of CERS is as follows:

**County Employees Retirement System (CERS) – Pension Fund**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Actuarial Accrued Liability (AAL)	\$11,777,126,077	\$11,131,174,187
Actuarial Value of Assets	\$7,409,156,576	\$7,296,321,679
Unfunded Liability on AAL	\$3,089,080,581	\$3,834,852,508
Funded Ratio on Actuarial Value of Assets	62.70%	65.52%
Covered Payroll	\$2,743,559,808	\$2,763,404,040
UAAL as a % of Covered Payroll	112.59%	141.85%

**County Employees Retirement System (CERS) – Insurance Fund**

	<u>June 30, 2011</u>	<u>June 30, 2011</u>
Actuarial Accrued Values	\$4,721,675,960	\$4,833,043,390
Actuarial Value of Plan Assets	\$2,204,241,067	\$1,985,808,363
Unfunded Liability on Actuarial Value of Assets	\$2,517,434,893	\$2,847,235,030
Funded Ratio on Actuarial Value of Assets	46.70%	41.16%
Covered Payroll	\$2,743,559,808	\$2,703,404,040
UAAL as a % of Covered Payroll	91.76%	105.32%

**City of Greensburg, Kentucky  
Notes to Financial Statements  
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For the Fiscal Year Then Ended**

**Note J Pension Plan (continued)**

Contributions required by Commonwealth statute for years ended June 30, 2007, 2008, 2011 and 2012 were as follows:

Fiscal Year	Required Contribution	Percent Contributed
2008	\$136,026	100%
2009	\$112,535	100%
2010	\$129,531	100%
2011	\$151,408	100%
2012	\$185,098	100%

The complete audited financial statements, comprehensive annual financial report and actuarial valuations of the Kentucky Retirement System can be found on line at [www.kyrte.com](http://www.kyrte.com).

**Note K Rent Expense**

Effective June 5, 1989, by action of the City Council of Greensburg, Kentucky, the Greensburg Water and Sewer System rents its office facilities from the City of Greensburg at the rate of \$24,000 per year.

**Note L Ownership**

The Greensburg Water and Sewer System is a business-type activity of the City of Greensburg.

**Note M Defeasance of Debt**

Series 1993 F Revenue Bonds Restructure

On August 20, 1993 The Kentucky Infrastructure Authority (KIA) issued Series 1993 F revenue bonds of \$17,805,000 par value to advance refund revenue bonds Series 1989 C with a par value of \$15,220,000. The Series 1993 F revenue bonds were issued at par less \$385,063 in discounts. After paying issuance cost of \$254,618, the net proceeds were \$17,210,319. The advance refunding met the requirements of an in-substance debt defeasance and the refunded revenue bonds were removed as a liability from the City's balance sheet. In the City of Greensburg's portion of the advance refunding, bonds with a par value of \$641,341 were issued less \$13,835 in bond discounts and \$9,148 issuance cost.

Insurance cost	\$254,618
Bond discount	<u>385,063</u>
Financing cost	<u>\$639,681</u>

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended**

**Note M Defeasance of Debt (continued)**

The source and uses of funds required for the transaction are shown below

<u>Sources</u>	<u>Total Revenue Bond</u>	<u>Allocation to City of Greensburg</u>
Principal amount of new debt	\$17,210,319	\$615,687
Financing cost	<u>639,681</u>	<u>25,654</u>
Total source of funds	<u>\$17,850,000</u>	<u>\$641,341</u>
 <u>Uses</u>		
Deposit to escrow fund	\$17,210,319	\$528,073
Cost of insurance	254,618	9,148
Bond discount	385,063	13,835
Loss on extinguishment	<u>0</u>	<u>90,285</u>
Total use of funds	<u>\$17,850,000</u>	<u>\$641,341</u>

As a result of the advance refunding, the City realized a loss on extinguishment of \$90,285. The loss is being amortized over the life of the Series 1993 F revenue bonds. A loss of \$4,904 is recognized for financial reporting in the current year ended June 30, 2012.

**Kentucky Infrastructure Authority (KIA) 2005 Restructure of Loan**

During the year ended June 30, 2005 Kentucky Infrastructure Authority (KIA) restructured its loan with the City of Greensburg, Kentucky. KIA applied the amount it held as *Debt Service Reserve*, \$162,809, less premium of \$11,272, to the principal of the loan as of July 29, 2004. This restructuring reduced the principal due July 29, 2004 of \$551,537 to a principal of \$400,000.

The City of Greensburg, Kentucky, elected to recognize the restructuring as a gain on the loan restructuring and amortize the gain over the remaining life of the restructured loan, ten and one-half (10 ½) years.

	<u>Balance June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>
Bond discount and cost of Insurance, \$22,983, amortized over 22 years	<u>\$3,133</u>	<u>\$ 0</u>	<u>(\$1,042)</u>	<u>\$2,091</u>
Extinguishment of loss, \$90,285, amortized over 22 years	<u>\$16,387</u>	<u>\$ 0</u>	<u>(\$4,094)</u>	<u>\$12,293</u>
Gain on restructure of debt, \$162,809, amortized over 10.5 years	<u>(\$87,573)</u>	<u>\$ 0</u>	<u>\$8,757</u>	<u>(\$78,816)</u>

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended**

**Note M Defeasance of Debt (continued)**

See the amortization of defeasance of debt on pages 46, 47 and 48.

**Note N Prior Period Adjustment**

Accounting errors were found during the preparation of the financial statements for fiscal year ended June 30, 2012. Ending fund balances in the balance sheet, governmental funds and the statement of revenues expenditures and changes in fund balances, governmental funds had not been in agreement in prior years. Correction of the errors required an adjustment of (\$76,123) or 14.17% of the opening fund balance as of June 30, 2011.

**Note O Date of Management's Review**

Subsequent events were evaluated through February 4, 2013, which is the date the financial statements were available to be issued.



**City of Greensburg, Kentucky**  
**Notes to Financial Statements**  
**As of June 30, 2012, and**  
**For the Fiscal Year Then Ended**

The annual requirements (principal, interest and fees) to amortize the long - term debt outstanding as of June 30, 2011 is as follows:

	General Government Activity				Total
	PBI Bank Note <u>7100162366</u>	PBI Bank Note <u>7100219471</u>	PBI Bank Note <u>7100364988</u>	Huntington Bank Note	
2013	\$10,000	\$13,025	\$16,367	\$28,563	\$67,955
2014		\$13,025	\$16,367	\$27,630	\$57,022
2015		\$13,025	\$16,367	\$26,693	\$56,085
2016		\$13,025	\$12,275	\$25,767	\$51,067
2017		\$13,025	\$16,367	\$24,831	\$54,223
2018-2022		\$65,125	\$12,275	\$107,661	\$185,061
2023-2027		\$28,115			\$28,115
2028-2032					
2033-2027					
2038-2042					
2043-2047					
2048-2052					
Totals	\$10,000	\$158,365	\$90,018	\$241,145	\$499,528
Current	\$10,000	\$13,025	\$16,367	\$28,563	\$67,955
Long-term	\$0	\$145,340	\$73,651	\$212,582	\$431,573

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Notes to Financial Statements**  
**As of June 30, 2012, and**  
**For the Fiscal Year Then Ended**

The annual requirements (principal, interest and fees) to amortize the long - term debt outstanding as of June 30, 2011 is as follows:

1992 Serial	Business - type Activity					Totals	Current Expense Fund (a)	Current Expense Fund (b)	Totals	
	KIA Revenue Bonds	USDA Rural Development	KLC Note	PBI Bank Note	USDA Rural Development					
\$110,400	\$19,925	\$23,633	\$7,345	\$69,265	\$0	\$4,347	\$234,915	\$16,412	\$24,800	\$41,212
\$109,200	\$19,662	\$23,607	\$7,345		\$17,625	\$122,645	\$159,814		\$24,800	\$24,800
\$109,950	\$374,400	\$23,671	\$7,345		\$17,458		\$515,366			\$0
\$109,550		\$23,624	\$7,345		\$17,787		\$140,519			\$0
\$110,050		\$23,668	\$7,345		\$17,607		\$141,063			
\$505,500		\$118,197	\$36,725		\$88,259		\$660,422			\$0
\$539,550		\$118,292	\$31,828		\$88,196		\$689,670			\$0
\$43,250		\$118,248			\$89,004		\$161,498			\$0
		\$118,343			\$89,103		\$118,343			\$0
		\$118,266			\$89,402		\$118,266			\$0
		\$118,235			\$89,825		\$118,235			\$0
		\$23,949			\$71,557		\$23,949			\$0
\$1,637,450	\$413,987	\$851,733	\$105,278	\$69,265	\$675,823	\$126,992	\$3,008,448	\$16,412	\$49,600	\$66,012
\$110,400	\$19,925	\$23,633	\$7,345	\$69,265	\$0	\$4,347	\$161,303	\$22,249	\$24,800	\$47,049
\$1,527,050	\$394,062	\$828,100	\$97,933	\$0	\$675,823	\$122,645	\$2,847,145	(\$5,837)	\$24,800	\$18,963

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012, and  
For the Fiscal Year Then Ended

Defeasance of Debt Footnote

<u>Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Present Value</u>	
07/01/93	5.00%		\$20,063	\$20,063	\$18,646	1.076000
01/01/94	5.00%	\$17,000	\$46,300	\$63,300	\$57,394	1.102900
07/01/94	5.00%		\$45,875	\$45,875	\$40,580	1.130473
01/01/95	5.00%	\$18,000	\$45,875	\$63,875	\$55,125	1.158734
07/01/95	5.00%		\$45,425	\$45,425	\$38,246	1.187703
01/01/96	5.00%	\$19,000	\$45,425	\$64,425	\$52,920	1.217395
07/01/96	5.00%		\$44,950	\$44,950	\$36,023	1.247830
01/01/97	5.00%	\$20,000	\$44,950	\$64,950	\$50,781	1.279026
07/01/97	5.00%		\$44,450	\$44,450	\$33,905	1.311002
01/01/98	5.00%	\$21,000	\$44,450	\$65,450	\$48,706	1.343777
07/01/98	5.00%		\$43,925	\$43,925	\$31,890	1.377371
01/01/99	5.00%	\$22,000	\$43,925	\$65,925	\$46,696	1.411805
07/01/99	5.00%		\$43,375	\$43,375	\$29,974	1.447100
01/01/00	5.00%	\$23,000	\$43,375	\$66,375	\$44,749	1.483278
01/01/00	5.00%		\$42,800	\$42,800	\$28,151	1.520360
01/01/01	5.00%	\$24,000	\$42,800	\$66,800	\$42,865	1.558369
07/01/01	5.00%		\$42,200	\$42,200	\$26,419	1.597328
01/01/02	5.00%	\$25,000	\$42,200	\$67,200	\$41,044	1.637261
07/01/02	5.00%		\$41,575	\$41,575	\$24,774	1.678193
01/01/03	5.00%	\$27,000	\$41,575	\$68,575	\$39,866	1.720148
07/01/03	5.00%		\$40,900	\$40,900	\$23,197	1.763151
01/01/04	5.00%	\$28,000	\$40,900	\$68,900	\$38,125	1.807230
07/01/04	5.00%		\$40,200	\$40,200	\$21,701	1.852411
01/01/05	5.00%	\$29,000	\$40,200	\$69,200	\$36,446	1.898721
07/01/05	5.00%		\$39,475	\$39,475	\$20,283	1.946189
01/01/06	5.00%	\$31,000	\$39,475	\$70,475	\$35,329	1.994844
07/01/06	5.00%		\$38,700	\$38,700	\$18,927	2.044715
01/01/07	5.00%	\$32,000	\$38,700	\$70,700	\$33,734	2.095833
07/01/07	5.00%		\$37,900	\$37,900	\$17,642	2.148229
01/01/08	5.00%	\$34,000	\$37,900	\$71,900	\$32,653	2.201934
07/01/08	5.00%		\$37,050	\$37,050	\$16,416	2.256983
01/01/09	5.00%	\$36,000	\$37,050	\$73,050	\$31,577	2.313407
07/01/09	5.00%		\$36,150	\$36,150	\$15,245	2.371242
01/01/10	5.00%	\$37,000	\$36,150	\$73,150	\$30,096	2.430524
07/01/10	5.00%		\$35,225	\$35,225	\$14,139	2.491287
01/01/11	5.00%	\$40,000	\$35,225	\$75,225	\$29,459	2.553569
07/01/11	5.00%		\$34,225	\$34,225	\$13,076	2.617408
01/01/12	5.00%	\$41,000	\$34,225	\$75,225	\$28,039	2.682843

City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2011, and  
For the Fiscal Year Then Ended

Defeasance of Debt Footnote

<u>Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Present Value</u>	
07/01/12	5.00%		\$33,200	\$33,200	\$12,073	2.749914
01/01/13	5.00%	\$44,000	\$33,200	\$77,200	\$27,389	2.818662
07/01/13	5.00%		\$32,100	\$32,100	\$11,111	2.889129
01/01/14	5.00%	\$45,000	\$32,100	\$77,100	\$26,035	2.961357
07/01/14	5.00%		\$30,975	\$30,975	\$10,205	3.035391
01/01/15	5.00%	\$48,000	\$30,975	\$78,975	\$25,383	3.111276
07/01/15	5.00%		\$29,775	\$29,775	\$9,337	3.189057
01/01/16	5.00%	\$50,000	\$29,775	\$79,775	\$24,405	3.268784
07/01/16	5.00%		\$28,525	\$28,525	\$8,514	3.350504
01/01/17	5.00%	\$53,000	\$28,525	\$81,525	\$23,739	3.434266
07/01/17	5.00%		\$27,200	\$27,200	\$7,727	3.520123
01/01/18	5.00%	\$55,000	\$27,200	\$82,200	\$22,782	3.608126
07/01/18	5.00%		\$25,825	\$25,825	\$6,983	3.698329
01/01/19	5.00%	\$58,000	\$25,825	\$83,825	\$22,113	3.790787
07/01/19	5.00%		\$24,375	\$24,375	\$6,273	3.885557
01/01/20	5.00%	\$61,000	\$24,375	\$85,375	\$21,436	3.982696
07/01/20	5.00%		\$22,850	\$22,850	\$5,597	4.082263
01/01/21	5.00%	\$64,000	\$22,850	\$86,850	\$20,756	4.184320
07/01/21	5.00%		\$21,250	\$21,250	\$4,955	4.288928
01/01/22	5.00%	\$67,000	\$21,250	\$88,250	\$20,074	4.396151
07/01/22	5.00%		\$19,575	\$19,575	\$4,344	4.506055
01/01/23	5.00%	\$71,000	\$19,575	\$90,575	\$19,610	4.618706
07/01/23	5.00%		\$17,800	\$17,800	\$3,760	4.734174
01/01/24	5.00%	\$74,000	\$17,800	\$91,800	\$18,918	4.852528
07/01/24	5.00%		\$15,950	\$15,950	\$3,207	4.973841
01/01/25	5.00%	\$78,000	\$15,950	\$93,950	\$18,428	5.098187
07/01/25	5.00%		\$14,000	\$14,000	\$2,679	5.225642
01/01/26	5.00%	\$82,000	\$14,000	\$96,000	\$17,923	5.356283
07/01/26	5.00%		\$11,950	\$11,950	\$2,177	5.490190
01/01/27	5.00%	\$86,000	\$11,950	\$97,950	\$17,406	5.627445
07/01/27	5.00%		\$9,800	\$9,800	\$1,699	5.768131
01/01/28	5.00%	\$91,000	\$9,800	\$100,800	\$17,049	5.912334
07/01/28	5.00%		\$7,525	\$7,525	\$1,242	6.060143
01/01/29	5.00%	\$95,000	\$7,525	\$102,525	\$16,505	6.211646
07/01/29	5.00%		\$5,150	\$5,150	\$809	6.366937
01/01/30	5.00%	\$100,000	\$5,150	\$105,150	\$16,112	6.526111
07/01/30	5.00%		\$2,650	\$2,650	\$396	6.689264

**City of Greensburg, Kentucky**  
**Notes to Financial Statements**  
**As of June 30, 2012, and**  
**For the Fiscal Year Then Ended**

**Defeasance of Debt Footnote**

<u>Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Present Value</u>	
01/01/31	5.00%	\$106,000	\$2,650	\$108,650	\$15,846	6.856495
		<u>\$1,852,000</u>	<u>\$2,296,113</u>	<u>\$4,148,113</u>	<u>\$1,739,836</u>	

Effective interest rate = 5.000565%.

City of Greensburg, Kentucky  
 Budgetary Comparison Schedule, General Government Activity  
 Budget and Actual  
 Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
<b>Revenues</b>				
Occupational Taxes	\$455,000	\$455,000	\$443,455	(\$11,545)
Property and Vehicle Taxes	\$201,000	\$201,000	\$213,267	\$12,267
Economic Development Support	\$5,000	\$5,000	\$3,156	(\$1,844)
Insurance Premium Tax	\$235,000	\$235,000	\$283,054	\$48,054
Grants	\$1,339,000	\$1,339,000	\$73,875	(\$1,265,125)
Donations Received	\$5,000	\$5,000	\$7,222	\$2,222
Franchise Fees	\$125,000	\$125,000	\$119,297	(\$5,703)
Inter-governmental Revenues	\$61,654	\$61,654	\$39,261	(\$22,393)
Other Revenues	\$84,500	\$84,500	\$90,974	\$6,474
Rent	\$96,912	\$96,912	\$84,157	(\$12,755)
Licenses and Permits	\$11,000	\$11,000	\$15,146	\$4,146
Loan Proceeds	\$0	\$0	\$75,236	\$75,236
911 Income	\$60,500	\$0	\$0	\$0
Transfers In/Out			\$48,043	\$48,043
Interest Income	\$5,400	\$5,400	\$6,774	\$1,374
<b>Total Revenues</b>	<u>\$2,684,966</u>	<u>\$2,624,466</u>	<u>\$1,502,917</u>	<u>(\$1,121,549)</u>
<b>Appropriations</b>				
General Government	\$376,184	\$376,184	\$570,470	(\$194,286)
Public Safety, Police	\$465,475	\$465,475	\$479,287	(\$13,812)
Public Safety, Fire	\$31,663	\$31,663	\$99,910	(\$68,247)
City Maintenance	\$291,765	\$291,765	\$270,004	\$21,761
Heartland Regional Micro Park	\$67,561	\$67,561	\$59,272	\$8,289
Paddle Trail	\$18,718	\$18,718	\$16,626	\$2,092
Emergency 911	\$0	\$50,000	\$0	\$50,000
Grant Expenses	\$1,319,000	\$1,319,000	\$3,308	\$1,315,692
<b>Total Appropriations</b>	<u>\$2,570,366</u>	<u>\$2,620,366</u>	<u>\$1,498,877</u>	<u>\$1,121,489</u>
<b>Excess of Resources Over</b> <b>(Under) Appropriations</b>	\$114,600	\$4,100	\$4,040	(\$60)
<b>Fund Balance July 1, 2011</b>	<u>\$480,213</u>	<u>\$480,213</u>	<u>\$596,622</u>	<u>\$116,409</u>
<b>Fund Balance June 30, 2012</b>	<u><u>\$594,813</u></u>	<u><u>\$484,313</u></u>	<u><u>\$600,662</u></u>	<u><u>\$116,349</u></u>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
 Budgetary Comparison Schedule, Municipal Aid Activity  
 Budget and Actual  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental Revenue	\$49,950	\$49,950	\$55,706	\$5,756
Interest Income	\$50	\$50	\$52	\$2
<b>Total Revenues</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$55,758</b>	<b>\$5,758</b>
<b>Appropriations</b>				
Street Repairs	\$0	\$0	\$1,471	(\$1,471)
Transfers Out	\$50,000	\$50,000	\$48,043	\$1,957
<b>Total Appropriations</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$49,514</b>	<b>\$486</b>
<b>Excess of Resources Over (Under)</b>				
Appropriations	\$0	\$0	\$6,244	\$6,244
<b>Fund Balance July 1, 2011</b>	<b>\$26,664</b>	<b>\$26,664</b>	<b>\$49,035</b>	<b>(\$22,371)</b>
<b>Fund Balance June 30, 2012</b>	<b>\$26,664</b>	<b>\$26,664</b>	<b>\$55,279</b>	<b>(\$16,127)</b>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
 Budgetary Comparison Schedule, Local Government Economic Assistance  
 Budget and Actual  
 Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental Revenues	\$10,490	\$10,490	\$8,710	(\$1,780)
Interest Income	\$10	\$10	\$5	(\$5)
<b>Total Revenues</b>	<u>\$10,500</u>	<u>\$10,500</u>	<u>\$8,715</u>	<u>(\$1,785)</u>
<b>Appropriations</b>				
Economic Development	\$0	\$0	\$0	\$0
Transfers Out	\$10,500	\$10,500	\$0	\$10,500
<b>Total Appropriations</b>	<u>\$10,500</u>	<u>\$10,500</u>	<u>\$0</u>	<u>\$10,500</u>
<b>Excess of Resources Over (Under Appropriations</b>	\$0	\$0	\$8,715	\$8,715
<b>Fund Balance July 1, 2011</b>	<u>\$11,026</u>	<u>\$11,026</u>	<u>\$246</u>	<u>(\$10,780)</u>
<b>Fund Balance June 30, 2012</b>	<u><u>\$11,026</u></u>	<u><u>\$11,026</u></u>	<u><u>\$8,961</u></u>	<u><u>(\$2,065)</u></u>

The accompanying notes are an integral part of the financial statements.



City of Greensburg, Kentucky  
 Budgetary Comparison Schedule, Water and Sewer Activity  
 Budget and Actual  
 Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for Service, Water	\$790,200	\$790,200	\$799,936	\$9,736
Chargers for Service, Sewer	\$329,894	\$329,894	\$349,165	\$19,271
Other Revenues	\$117,592	\$117,592	\$59,744	(\$57,848)
Health Insurance Reimbursement	\$0	\$13,204	\$4,129	(\$9,075)
Intergovernmental Revenue	\$5,438	\$5,438	\$0	(\$5,438)
Loans Proceeds	\$450,000	\$450,000	\$870,285	\$420,285
Interest Income	\$320	\$320	\$4,457	\$4,137
Grant Revenues	<u>\$1,050,000</u>	<u>\$1,050,000</u>	<u>\$1,209,784</u>	<u>\$159,784</u>
<b>Total Revenues</b>	<u>\$2,743,444</u>	<u>\$2,756,648</u>	<u>\$3,297,500</u>	<u>\$540,852</u>
<b>Appropriations</b>				
Capital Purchases	\$0	\$19,000	\$120,000	(\$101,000)
Grant Expenses	\$1,500,000	\$1,500,000	\$1,340,263	\$159,737
Debt Retirement, Water	\$104,763	\$104,763	\$170,852	(\$66,089)
Debt, Retirement, Sewer	\$141,762	\$141,762	\$231,192	(\$89,430)
Water Operations	\$630,598	\$630,598	\$644,009	(\$13,411)
Sewer Operations	<u>\$420,509</u>	<u>\$420,509</u>	<u>\$446,933</u>	<u>(\$26,424)</u>
<b>Total Appropriations</b>	<u>\$2,797,632</u>	<u>\$2,797,632</u>	<u>\$2,953,249</u>	<u>(\$35,617)</u>
<b>Excess of Resources Over (Under Appropriations</b>	<u>(\$54,188)</u>	<u>(\$40,984)</u>	<u>\$344,251</u>	<u>\$505,235</u>
<b>Fund Balance July 1, 2011</b>	<u>\$239,117</u>	<u>\$239,117</u>	<u>\$1,105,184</u>	<u>\$866,067</u>
<b>Fund Balance June 30, 2012</b>	<u>\$184,929</u>	<u>\$198,133</u>	<u>\$1,449,435</u>	<u>\$1,371,302</u>

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky  
Notes to Financial Statements  
As of June 30, 2012 and  
For the Fiscal Year Then Ended**

**Notes to Required Supplementary Information**

**(1) Budgetary Basis of Accounting**

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

**Net Changes In Fund Balances  
Government Funds**

	General Fund	Municipal Streets Fund	LEGA Fund	Totals
Change in Net Assets, Budget Basis	<u>\$4,040</u>	<u>\$6,244</u>	<u>\$8,715</u>	\$18,999
Reconciling amounts				
Increase in long – term debt				(75,236)
Decrease in long-term debt				37,720
Capital purchases, General Government				46,555
Capital purchases, Public Safety Police				<u>75,060</u>
Change in net Assets, GAAP Basis				<u>\$103,098</u>

**Net Changes In Fund Balances  
Enterprise Funds**

Change in Net Assets, Budget Basis	\$344,251
Reconciling amounts	
Increase in long-term debt	(870,285)
Decrease in long-term debt	286,265
Capitalized purchase, land	120,000
Capitalized grant expenses	1,340,263
Depreciation, Water Department	(177,200)
Amortization, Water Department	(4,094)
Depreciation, Sewer Department	<u>(194,533)</u>
Change in Net Assets, GAAP Basis	<u>\$844,667</u>

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

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

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

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

A governmental entity that uses the modified approach has to document that it has performed a completed condition assessment of the assets at least once every three years. The City completed a condition assessment as of June 30, 2010 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2012 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 2012. No City streets were assessed as “poor” or “very poor”. Prior to 2012, the City did not use an asset management system. Therefore, no meaningful comparison of the condition of the City’s roads prior to 2012 is available.

Category	2012
Very Good	60%
Good	30%
Fair	10%

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>
2006	\$81,592	\$152,574
2007	\$38,079	\$122,115
2008	\$38,277	\$108,196
2009	\$46,220	\$69,439
2010	\$28,651	\$39,040
2011	\$49,064	\$40,050
2012	\$26,927	\$0

**City of Greensburg, Kentucky**  
**Schedule of General Government Activities**  
**Year Ended June 30, 2012**

<b>Expenditures</b>	<b>General Activities</b>	<b>Municipal Aid Activities</b>	<b>Totals</b>
Salaries	\$338,739		\$338,739
Salaries, Elected Officials	\$38,162		\$38,162
Payroll Taxes	\$26,996		\$26,996
Mayor and Council Expenses	\$4,202		\$4,202
Advertising Expenses	\$8,387		\$8,387
Automated Emergency Notification	\$4,300		\$4,300
Building Inspection Fees and Permits	\$5,190		\$5,190
CEP Testing	\$280		\$280
Code Enforcement Ordinances	\$847		\$847
Community Development Expenses	\$6,497		\$6,497
Community Programs	\$19,580		\$19,580
Computer Software	\$15,338		\$15,338
Contractual Services	\$11,592		\$11,592
Credit Card Fees	\$1,024		\$1,024
Debt Service Expense	\$20,614		\$20,614
Dues and Subscriptions	\$1,211		\$1,211
EM Director's Expense	\$223		\$223
Fees	\$4,684		\$4,684
Firemen's Fees	\$7,054		\$7,054
Grant Expenses	\$3,308		\$3,308
Insurance, General	\$63,038		\$63,038
Intergovernmental Agreement Expense	\$35,000		\$35,000
Leadership Green	\$228		\$228
Miscellaneous Expenses	\$19,026		\$19,026
Ordinance Codification	\$3,495		\$3,495
Paver-Bench-Light Pole Expenses	\$2,190		\$2,190
Personnel Benefits Expenses	\$155,500		\$155,500
Personnel HSA Contribution	\$14,735		\$14,735
Planning and Zoning	\$6,804		\$6,804
Professional Fees	\$19,825		\$19,825
Postage Expense	\$2,411		\$2,411
Repairs and Maintenance Expenses	\$80,210		\$80,210
Shelter House Expenses	\$3,047		\$3,047
Street Maintenance	\$25,456	\$1,471	\$26,927
Supplies Purchased	\$19,563		\$19,563

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
Schedule of General Government Activities  
Year Ended June 30, 2012

	<b>General Government Activities</b>	<b>Municipal Aid Activities</b>	<b>Totals</b>
<b>Expenditures</b>			
Travel and Training Expenses	\$8,155		\$8,155
Unemployment Taxes	\$14,892		\$14,892
Uniform Expenses	\$2,317		\$2,317
Utility Expenses	\$211,733		\$211,733
Website Expenses	\$546		\$546
Depreciation	\$133,143		\$133,143
<b>Total Expenditures</b>	<u>\$1,339,542</u>	<u>\$1,471</u>	<u>\$1,341,013</u>

	<b>General Government Activities</b>	<b>Municipal Aid Activities</b>	<b>Totals</b>
<b>Revenues</b>			
Code Enforcement Revenue	\$1,545		\$1,545
FEMA Reimbursements	\$32,536		\$32,536
Franchise Fees	\$119,297		\$119,297
Grant Revenue	\$73,875		\$73,875
HB 380 HI Revenue	\$13,701		\$13,701
Insurance Premium Tax	\$283,054		\$283,054
Insurance Proceeds	\$1,125		\$1,125
Interest Income	\$6,774	\$54	\$6,828
Intergovernmental Revenue	\$3,156	\$64,416	\$67,572
KLEFPF Grant	\$17,310		\$17,310
Law Enforcement Revenue	\$13,332		\$13,332
License Fees, Other	\$15,146		\$15,146
Miscellaneous Revenues	\$24,445		\$24,445
Net Profits Tax	\$35,103		\$35,103
Occupational Taxes	\$408,352		\$408,352
Paddle Trail Revenue	\$13,881		\$13,881
Pavers - Benches - Light Pole Revenue	\$4,111		\$4,111
Property Tax Revenue	\$193,116		\$193,116
Rent Income	\$84,157		\$84,157
Shelter House Donations	\$7,222		\$7,222
State Aid - Fire Department	\$8,250		\$8,250
Vehicle Tax Revenue	\$20,151		\$20,151
Transfers	\$48,043	(\$48,043)	\$0
<b>Total Revenues</b>	<u>\$1,427,682</u>	<u>\$16,427</u>	<u>\$1,444,109</u>
<b>Net Revenues and Grant Revenue</b>			
<b>Over Expenditures and Transfers</b>	<u>\$88,140</u>	<u>\$14,956</u>	<u>\$103,096</u>

The accompanying notes are an integral part of the financial statements.

City of Greensburg, Kentucky  
 Schedule of Sewer and Water Service Activities  
 Year Ended June 30, 2012

<b>Operating Expenditures</b>	<b>Sewer and Water Service <u>Activities</u></b>
Salaries	\$377,027
Payroll Taxes	\$25,586
Advertising Expenses	\$535
Chemicals Purchased	\$70,581
Computer Expenses	\$8,106
Contractual Services	\$19,366
Fees Paid	\$1,176
Insurance, General Expense	\$39,248
Interest Expense	\$115,779
Licenses	\$100
Loss on Extinguishment of Debt	\$4,094
Miscellaneous Expenses	\$5,235
Personnel Benefits Expenses	\$165,579
Postage Expense	\$3,813
Professional Fees	\$1,936
Repairs and Maintenance Expenses	\$60,526
Repairs and Maintenance-FEMA	\$87,646
Rent and Storage Expenses	\$24,000
Sludge Removal Expenses	\$7,163
Supplies Expenses	\$20,554
Testing Expenses	\$17,526
Travel and Training Expense	\$9,074
Unemployment Taxes	\$9,189
Uniform Expenses	\$1,217
Utility Expenses	\$114,006
Water Purchase Expense	\$20,711
Amortization Expense	\$1,042
Depreciation Expense	\$371,733
<b>Total Operating Expenditures</b>	<b><u>\$1,582,548</u></b>

The accompanying notes are an integral part of the financial statements.

**City of Greensburg, Kentucky**  
**Schedule of Sewer and Water Service Activities**  
**Year Ended June 30, 2012**

<b>Revenues</b>	<b>Sewer and Water Service Activities</b>
Sewer Service Revenue	\$349,165
Water Service Revenue	\$799,936
Water GT PSC Repayment	\$3,704
Water Meter Connection Income	\$13,391
Gain on Loan Restructuring	\$8,757
Health Insurance Reimbursement	\$4,567
Insurance Proceeds	\$5,555
Interest Income	\$4,456
Other Income	<u>\$27,899</u>
<b>Total Revenues</b>	<u>\$1,217,430</u>
<b>Grant</b>	
Grant Revenue	<u>\$1,209,784</u>
<b>Total Revenues and Grant</b>	<u>\$2,427,214</u>
<b>Net Expenditures Over Revenues</b>	<u><u>\$844,666</u></u>

The accompanying notes are an integral part of the financial statements.





**Robert C. Ryan**

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February 4, 2013

**Report on Internal Control over Financial Statements and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing  
Standards***

**Fiscal Year ended June 30, 2012**

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

Mayor and Council Members:

I have audited the financial statements of the City of Greensburg, Kentucky as of June 30, 2012 and for the year then ended, and have issued my report thereon February 4, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing my audit I considered the City of Greensburg, Kentucky's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the effectiveness of the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Greensburg, Kentucky's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Greensburg, Kentucky internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entities financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness as defined above.

Member:  
American Institute of Certified Public Accountants ~ Kentucky and Tennessee Societies of Certified Public Accountants  
Licensed to practice as a Certified Public Accountant in Indiana and Kentucky

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greensburg, Kentucky's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of the financial statement amount. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the City of Greensburg, Kentucky, management and others within the administration of the City, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

*Robert C. Ryan*

Robert C. Ryan



**Robert C. Ryan**  
Certified Public Accountant  
Post Office Box 91917, Louisville, KY 40291  
502/239-5171 - Facsimile 502/239-5171

February 4, 2013

**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With *OMB Circular A-133***

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

**Compliance**

I have audited the compliance of the City of Greensburg, Kentucky, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City of Greensburg, Kentucky's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the major federal programs is the responsibility of the City of Greensburg, Kentucky's management. My responsibility is to express an opinion on the City of Greensburg, Kentucky's compliance based upon my audit.

I conducted my audit of the compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the *Controller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material affect no a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Greensburg, Kentucky's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Greensburg, Kentucky's compliance with those requirements.

In my opinion, the City of Greensburg, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Member:  
American Institute of Certified Public Accountants - Kentucky and Tennessee Societies of Certified Public Accountants  
Licensed to practice as a Certified Public Accountant in Indiana and Kentucky

### Internal Control over Compliance

The management of the City of Greensburg, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Greensburg, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Greensburg, Kentucky's internal over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that entity's in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management of the City of Greensburg, Kentucky, Mayor and City Council Members, Kentucky Department for Local Government-Office of Federal Grants and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Robert C. Ryan, CPA

February 7, 2011

**City of Greensburg, Kentucky  
Schedule of Findings and Questioned Cost  
For the Year Ended June 30, 2012**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type auditor's report issued: Unqualified

**Internal Control over Financial Reporting**

- Material weakness (es) identified?  Yes  No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

**Internal Control Over Major Programs**

- Material Weakness (es) identified?  Yes  No
- Significant deficiency (ies) identified that are not considered to be material weakness (es)  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 501 (a) of OMB Circular A-133  Yes  No

The City's major programs were:

<u>Program</u>	<u>Project Number</u>
Greensburg Water System Improvements	
Project Community Block Development Grant, CFDA No. 14.228	No. 001XX03Z

A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in *OMB Circular A-133*.

The City of Greensburg, Kentucky did not qualify as a low-risk auditee as the term is defined in *OMB Circular A-133*.

**City of Greensburg, Kentucky  
Schedule of Findings and Questioned Cost  
For the Year Ended June 30, 2012**

**Section II – Financial Statement Findings Required to be Reported by Government  
Auditing Standards**

None

**Section III – Federal Award Findings and Questioned Cost Required to be Reported by  
OMB Circular A-133**

None.

**City of Greensburg, Kentucky  
Schedule of Expenditures of Awards  
Year Ended June 30, 2012**

<u>Grantor Program Title</u>	<u>Project Number</u>	<u>Expenditures</u>
Greensburg Water System Improvements Project Community Development Block Grant CFDA 14.228	001XX03Z	\$764,768

**Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2012**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") included the federal grant activity of the City of Greensburg, Kentucky under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Greensburg, Kentucky, it is not intended to and does not present the financial position, change in net assets or cash flows of the City of Greensburg, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowed or are limited to as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

RCR

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February 4, 2013

**Report Local Government Economic Assistance Program  
City of Greensburg, Kentucky  
For the Fiscal Year Ended June 30, 2012**

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

Kentucky Revised Statutes (KRS) 42.455 defines the priority expenditures for funds received from the Local Government Economic Assistance Program (LGEAP). LGEAP is a system of grants to local governments to improve the environment for new industry and improve the quality of life for the residents.

Grants obtained under this program shall be used for priority expenditures. One hundred percent (100%) of all monies in the fund shall be spent on priority categories limited to those described in section KRS 42.455 (2). In no event shall grants obtained under this program be used for expenses related to administration of government.

The City has established a system to track the receipt and disbursement of LGEAP in order to be in compliance with KRS 42.455.

This report is intended solely for the City of Greensburg, Kentucky, management and others within the administration of the City, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

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