



City of Greensburg, Kentucky

Independent Auditor's Report

And Financial Statements

For the Year Ended

June 30, 2018

City of Greensburg, Kentucky
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City of Greensburg, Kentucky
Government Directory

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Greensburg,
KY 42743

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

City Council meetings held 2nd Monday of each month at 5:00 PM (CST)

City of Greensburg Officials

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	George C. "Lisle" Cheatham, II	December 31, 2018
Council Member	Jerry Cowherd	December 31, 2018
Council Member	Sandi Moran	December 31, 2018
Council Member	Trent Ford	December 31, 2018
Council Member	Connie Judd	December 31, 2018
Council Member	CW VanArsdale	December 31, 2018
Council Member	Reva Nell Tucker	December 31, 2018
City Clerk	Janie Casey	
Police Chief	Wayne Hedgespeth	
Fire Chief	Lawrence Gupton	
Public Works Director	Roger Skaggs	
Water Plant Chief Operator	Joe Creason	
Wastewater Plant Chief Operator	Eddie Wright	
E911 Coordinator	Ron Jones	

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Greensburg, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the City of Greensburg, Kentucky, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 38, pension schedules on pages 39 through 40 and OPEB schedules on pages 41 through 42, and information about infrastructure assets reporting using the modified approach on pages 43-44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2019 on our consideration of the City of Greensburg, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Greensburg, Kentucky's internal control over financial reporting and compliance.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC

July 11, 2019

City of Greensburg, Kentucky
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Cash and cash equivalents	\$ 127,217	\$ 171,583	\$ 298,800
Restricted cash	46,919	130,291	177,210
Certificates of deposit	76,880	146,633	223,513
Accounts receivable	329,007	237,883	566,890
Prepaid expenses	4,945	-	4,945
Internal balances, net	951,382	(951,382)	-
Other assets	51,812	-	51,812
Capital assets			
General government	7,762,375	-	7,762,375
Water and sewer system	-	18,940,418	18,940,418
Less: accumulated depreciation	(2,646,971)	(8,760,592)	(11,407,563)
Total Assets	6,703,566	9,914,834	16,618,400
Deferred Outflows of Resources	317,993	330,943	648,936
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Accrued expenses	106,707	11,161	117,868
Accounts payable	86,738	41,340	128,078
Customer deposits payable	-	48,349	48,349
Bonds and notes payable			
Due within one year	159,157	152,256	311,413
Due in more than one year	1,365,066	4,967,300	6,332,366
Compensated absences	11,741	-	11,741
Net OPEB liability	252,268	262,460	514,728
Net pension liability	787,908	710,773	1,498,681
Total Liabilities	2,769,585	6,193,639	8,963,224
Deferred Inflows of Resources	120,818	125,745	246,563
Net Position			
Invested in capital assets, net of related debt	3,591,181	5,060,270	8,651,451
Restricted	98,731	130,291	229,022
Unrestricted	441,244	(1,264,168)	(822,924)
Total Net Position	\$ 4,131,156	\$ 3,926,393	\$ 8,057,549

City of Greensburg, Kentucky
Statement of Activities
For the Year Ended June 30, 2018

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
General government	\$ 1,658,645	\$ 110,222	\$ 30,609	\$ 212,896	\$ (1,304,918)	\$ -	\$ (1,304,918)
Municipal road aid	37,249	-	44,068	-	6,819	-	6,819
Total Governmental Activities	<u>1,695,894</u>	<u>110,222</u>	<u>74,677</u>	<u>212,896</u>	<u>(1,298,099)</u>	<u>-</u>	<u>(1,298,099)</u>
Business-Type Activities							
Water and sewer	1,763,310	1,111,014	-	-	-	(652,296)	(652,296)
Total Business-Type Activities	<u>1,763,310</u>	<u>1,111,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(652,296)</u>	<u>(652,296)</u>
Total City	<u>\$ 3,459,204</u>	<u>\$ 1,221,236</u>	<u>\$ 74,677</u>	<u>\$ 212,896</u>	<u>(1,298,099)</u>	<u>(652,296)</u>	<u>(1,950,395)</u>
			General Revenues:				
			Taxes	972,669	201,306		1,173,975
			Fees, Licenses and permits	220,725	-		220,725
			Intergovernmental programs	36,667	-		36,667
			Interest revenue	4,960	491		5,451
			Other revenues	20,311	2,706		23,017
			Total General Revenues	<u>1,255,332</u>	<u>204,503</u>		<u>1,459,835</u>
			Transfers	88,000	(88,000)		-
			Change in Net Position	45,233	(535,793)		(490,560)
			Net Position - Beginning, as originally presented	4,269,415	4,651,217		8,920,632
			Prior Period Adjustment - See Note N	(183,492)	(189,031)		(372,523)
			Net Position - Beginning, as restated	4,085,923	4,462,186		8,548,109
			Net Position - Ending	<u>\$ 4,131,156</u>	<u>\$ 3,926,393</u>		<u>\$ 8,057,549</u>

City of Greensburg, Kentucky
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 127,217	\$ -	\$ 127,217
Restricted cash	-	46,919	46,919
Certificates of deposit	76,880	-	76,880
Receivables	329,007	-	329,007
Prepaid expenses	4,945	-	4,945
Due from other funds	918,849	49,813	968,662
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 1,456,898</u></u>	<u><u>\$ 96,732</u></u>	<u><u>\$ 1,553,630</u></u>
Liabilities and Fund Balances			
Liabilities			
Accrued expenses	\$ 106,707	\$ -	\$ 106,707
Due to other funds	-	17,280	17,280
Accounts payable	86,738	-	86,738
Total Liabilities	<u>193,445</u>	<u>17,280</u>	<u>210,725</u>
Fund Balances			
Nonspendable	4,945	-	4,945
Restricted	-	79,452	79,452
Unassigned	1,258,508	-	1,258,508
Total Fund Balances	<u>1,263,453</u>	<u>79,452</u>	<u>1,342,905</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 1,456,898</u></u>	<u><u>\$ 96,732</u></u>	<u><u>\$ 1,553,630</u></u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2018

Total Fund Balances Per Fund Financial Statements \$ 1,342,905

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

Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 5,115,404

Sinking fund deposits and other assets are long-term that are not available to pay for current expenditures and therefore are not reported in the fund financial statements. 51,812

Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Deferred outflows related to pension and OPEB	317,993	
Deferred inflows related to pension and OPEB	<u>(120,818)</u>	197,175

Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:

Compensated absences	(11,741)	
Bonds and notes payable	(1,524,223)	
Net OPEB liability	(252,268)	
Net pension liability	<u>(787,908)</u>	<u>(2,576,140)</u>

Net Position of Governmental Activities \$ 4,131,156

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2018

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenue			
Franchise fees	\$ 205,030	\$ -	\$ 205,030
Insurance premium tax	305,169	-	305,169
Occupational tax	446,025	-	446,025
Property tax	221,475	-	221,475
Rent income	89,103	-	89,103
Licenses and permits	15,695	-	15,695
Intergovernmental programs	67,276	44,068	111,344
Charges for services	21,119	-	21,119
Grant revenues	212,896	-	212,896
Miscellaneous income	17,056	-	17,056
Total Revenue	<u>1,600,844</u>	<u>44,068</u>	<u>1,644,912</u>
Expenditures			
General government	1,139,758	-	1,139,758
Municipal road aid	9,966	33,245	43,211
Debt service			
Principal	148,909	-	148,909
Interest	35,464	-	35,464
Capital Outlay	335,233	-	335,233
Total Expenditures	<u>1,669,330</u>	<u>33,245</u>	<u>1,702,575</u>
Excess of Revenues Over (Under) expenditures	<u>(68,486)</u>	<u>10,823</u>	<u>(57,663)</u>
Other Financing Sources			
Transfer In / (out)	141,869	(53,869)	88,000
Interest income	506	4,454	4,960
Proceeds from long-term financing	64,350	-	64,350
Proceeds from sale of asset	3,260	-	3,260
Total Other Financing Sources	<u>209,985</u>	<u>(49,415)</u>	<u>160,570</u>
Net Change in Fund Balance	141,499	(38,592)	102,907
Fund Balances July 1, 2017	<u>1,121,954</u>	<u>118,044</u>	<u>1,239,998</u>
Fund Balances June 30, 2018	<u>\$ 1,263,453</u>	<u>\$ 79,452</u>	<u>\$ 1,342,905</u>

See accompanying notes to 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
 For the Year Ended June 30, 2018

Net Change in Total Fund Balances Per Fund Financial Statements \$ 102,907

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

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

Capital asset expenditures capitalized	231,871	
Depreciation expense	<u>(307,810)</u>	(75,939)

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

Compensated absences	(927)	
Net OPEB liability	(7,975)	
Net pension liability	<u>(53,387)</u>	(62,289)

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

Debt payments	149,896	
Debt proceeds	<u>(65,337)</u>	84,559

Change in other noncurrent assets (4,005)

Change in Net Position of Governmental Activities \$ 45,233

City of Greensburg, Kentucky
Statement of Net Position - Proprietary Fund
June 30, 2018

	Water and Sewer Fund
Assets and Deferred Outflows	
Current Assets	
Cash and cash equivalents	\$ 171,583
Restricted cash	130,291
Certificates of deposit	146,633
Accounts receivables	237,883
Total Current Assets	686,390
Noncurrent Assets	
Capital Assets	
Water and sewer system	18,940,418
Accumulated depreciation	(8,760,592)
Total Noncurrent Assets	10,179,826
Total Assets	10,866,216
Deferred Outflows of Resources	330,943
Liabilities and Deferred Inflows	
Liabilities	
Current Liabilities	
Accounts payable	41,340
Accrued expenses	11,161
Customer deposits payable	48,349
Due to other funds	951,382
Bonds and notes payable	
Due within one year	152,256
Total Current Liabilities	1,204,488
Noncurrent Liabilities	
Bonds and notes payable	
Due in more than one year	4,967,300
Net OPEB liability	262,460
Net pension liability	710,773
Total Noncurrent Liabilities	5,940,533
Total Liabilities	7,145,021
Deferred Inflows of Resources	125,745
Net Position	
Invested in capital assets, net of related debt	5,060,270
Restricted	130,291
Unrestricted	(1,264,168)
Total Net Position	\$ 3,926,393

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Water & Sewer <u>Fund</u>
Operating Revenues	
Sewer service	\$ 424,516
Water service	686,498
Occupational taxes	201,306
Total Operating Revenues	<u>1,312,320</u>
Operating Expenses	
Salaries and benefit expenses	624,312
Contractual	81,537
Materials and supplies	98,665
Repairs and maintenance	124,572
Utilities	132,911
Other expenses	85,198
Total Operating Expenses	<u>1,147,195</u>
Operating Income Before Depreciation	165,125
Depreciation	<u>(442,055)</u>
Operating Loss	<u>(276,930)</u>
Nonoperating Revenues (Expenses)	
Interest expense	(174,060)
Transfer out	(88,000)
Interest revenue	491
Miscellaneous revenue	2,706
Total Nonoperating Revenues (Expenses)	<u>(258,863)</u>
Change in Net Position	(535,793)
Net Position, July 1, 2017, as originally presented	4,651,217
Prior Period Adjustment (See Note N)	<u>(189,031)</u>
Net Position, July 1, 2017, as restated	<u>4,462,186</u>
Net Position, June 30, 2018	<u>\$ 3,926,393</u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Statement of Cash Flows -
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Water & Sewer Fund</u>
Cash Flows From Operating Activities	
Cash receipts from customers	\$ 1,300,892
Cash payments to suppliers for goods or services	(279,846)
Cash payments to employees for services	(580,878)
Net Cash Provided by Operating Activities	<u>440,168</u>
Cash Flows From Non-Capital and Related Financing Activities	
Other cash receipts	2,706
Transfers to other funds	(88,000)
Cash paid for interest	491
Net Cash Used by Non-Capital and Related Financing Activities	<u>(84,803)</u>
Cash Flows From Capital and Related Financing Activities	
Payments of principal on long-term debt	(149,794)
Interest paid on notes and bonds	(174,060)
Purchase of capital assets	(14,781)
Net Cash Used by Capital and Related Financing Activities	<u>(338,635)</u>
Net Increase in Cash and Cash Equivalents	16,730
Cash and Cash Equivalents July 1, 2017	<u>285,144</u>
Cash and Cash Equivalents June 30, 2018	<u>\$ 301,874</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (276,930)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	442,055
(Increase) Decrease in:	
Accounts receivable	(11,428)
Prepays	4,277
Certificates of deposit	(82)
Deferred outflows of resources	(180,499)
Increase (Decrease) in:	
Accounts payable	6,090
Customer deposits payable	(1,047)
Accrued expenses	687
Due to other funds	233,112
Net pension liability	75,575
Net OPEB liability	56,595
Deferred inflows of resources	91,763
Cash Provided by Operating Activities	<u>\$ 440,168</u>
Cash Reconciliation:	
Cash and cash equivalents	\$ 171,583
Restricted cash	130,291
Cash and Cash Equivalents June 30, 2018	<u>\$ 301,874</u>

See accompanying notes to financial statements.

City of Greensburg, Kentucky
Notes to Financial Statements
June 30, 2018

Note A – Summary of Significant Accounting Policies

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

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

Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

The following fund types are used by the City:

Governmental Funds

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

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

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

Proprietary Funds

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

Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements

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

Fund Financial Statements

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Fund Balance

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

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

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

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

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

General Fund

The General Fund has unassigned fund balance of \$1,258,508 as of June 30, 2018. Prepaid expenses of \$4,945 are considered non-spendable.

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$79,452 that are set aside for City road repairs.

Component Units

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

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures are based on cash receipts and expenditures. Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year. For the year ended June 30, 2018, the general fund had a favorable budget variance of \$108,769 when considering both revenue and expenses.

Cash and Deposits

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

Accounts Receivable

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

transactions. The allowance for uncollectible allowance has been established for the receivables based on an estimate of what will potentially be collected. The Utility accounts receivable are for services to customers. If a customer fails to pay within 20 days after the prior month's bill, their water service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month and the usage from then until the last day of the month is not billed until the following month. Utility accounts receivable in the amount of \$185,918 are included in the proprietary fund receivables. Proprietary fund receivables also include \$51,965 of tax revenue related to the .5% occupational tax.

Internal Balances

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

Inventories

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

Restricted Assets

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

Capital Assets

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

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

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

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

Infrastructure

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

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

Compensated Absences

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

Accrued Liabilities & Long-Term Obligations

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

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

Estimates & Assumptions

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

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

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

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

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

Deferred Outflows and Inflows of Resources

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

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which is related to change in proportion and differences between employer contributions and proportionate share of contributions. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note J, Retirement Plan and the Post-Employment Benefits Other than Pensions (OPEB) in Note K.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the City's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured at June 30, 2018.

Note B – Cash and Deposits

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. At June 30, 2018, all funds of the City were substantially insured or collateralized.

The table presented below is designed to disclose the level of custodial credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2018. The categories of credit risk are defined as follows:

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note B – Cash and Deposits (Continued)

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Savings and time deposits	\$217,683	-	-	\$217,683	\$223,513
Demand Deposits	337,181	286,745	-	623,926	476,010
Total	<u>\$554,864</u>	<u>\$286,745</u>	<u>\$0</u>	<u>\$841,609</u>	<u>\$699,523</u>

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

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note C – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 319,034	\$ -	\$ -	\$ 319,034
Buildings	2,947,073	-	-	2,947,073
Equipment	1,937,361	163,650	-	2,101,011
Furniture	26,178	-	-	26,178
Software	27,619	-	-	27,619
Vehicles	521,061	68,221	-	589,282
Streetscape	1,591,028	-	-	1,591,028
Connector Road	161,150	-	-	161,150
Totals at Historical Cost	<u>7,530,504</u>	<u>231,871</u>	<u>-</u>	<u>7,762,375</u>
Less: accumulated depreciation				
Buildings	(684,937)	(75,751)	-	(760,688)
Equipment	(604,283)	(153,991)	-	(758,274)
Furniture	(25,850)	(165)	-	(26,015)
Software	(27,619)	-	-	(27,619)
Vehicles	(440,311)	(43,329)	-	(483,640)
Streetscape	(507,815)	(31,351)	-	(539,166)
Connector Road	(48,345)	(3,223)	-	(51,568)
Total Accumulated Depreciaton	<u>(2,339,160)</u>	<u>(307,810)</u>	<u>-</u>	<u>(2,646,971)</u>
Governmental Activities Capital Assets - Net	<u>\$ 5,191,344</u>	<u>\$ 539,681</u>	<u>\$ -</u>	<u>\$ 5,115,404</u>
<u>Business-Type Activities</u>				
Land	\$ 145,450	\$ -	\$ -	\$ 145,450
Buildings	77,731	-	-	77,731
Equipment	458,637	14,781	-	473,418
Sewer System	5,644,372	-	-	5,644,372
Vehicles	124,526	-	-	124,526
Water System	12,474,921	-	-	12,474,921
Totals at Historical Cost	<u>18,925,637</u>	<u>14,781</u>	<u>-</u>	<u>18,940,418</u>
Less: accumulated depreciation				
Buildings	(77,731)	-	-	(77,731)
Equipment	(440,858)	(6,656)	-	(447,514)
Sewer System	(4,131,111)	(194,951)	-	(4,326,062)
Vehicles	(118,357)	(2,987)	-	(121,344)
Water System	(3,550,481)	(237,461)	-	(3,787,942)
Total Accumulated Depreciation	<u>(8,318,538)</u>	<u>(442,055)</u>	<u>-</u>	<u>(8,760,592)</u>
Business-Type Activities Capital Assets - Net	<u>\$ 10,607,099</u>	<u>\$ (427,274)</u>	<u>\$ -</u>	<u>\$ 10,179,826</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note D – Receivables

As of June 30, 2018, the receivables due the City consisted of the following:

	Governmental Activities	Business-Type Activities
AR - Emergency 911	\$ 55,882	\$ -
AR - Franchise Fees	49,050	-
AR - Greensburg Rotary Club	359	-
AR - Insurance Premium Tax	65,472	-
AR - KLEFPF	2,320	-
AR - Law Enforcement Revenue	1,914	-
AR - Other	4,095	-
AR - Stone Fort, Inc.	1,684	-
AR - Net Profits Tax	656	-
AR - Occupational Taxes	103,931	51,965
AR- Delinquent Property Taxes	25,089	-
AR - CMRS Grant	26,323	-
AR - Intergovernmental	464	-
AR - Pavers, Benchpoles, Lightpoles	1,000	-
AR - Rental Income	3,208	-
AR - Safety Grant	832	-
AR - School Resource Officer	6,728	-
AR - Utility Service Customers	-	185,918
Allowance for Doubtful Accounts	(20,000)	-
	<u>\$ 329,007</u>	<u>\$ 237,883</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note E-Bonds and Notes Payable

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

Governmental Activities

		<u>Balance</u>	<u>Current</u>
KLC Loan Series 2002A	Fixed Rate Swap Lease with bank, original issue amount of \$300,000; dated July 18, 2005; secured by personal property; interest rate of 3.88%; with final maturity dated April 1, 2020.	\$ 75,000	\$ 20,000
Bank Loan #7100419501	Note Payable with bank, original issue amount of \$60,000; dated October 29, 2014; secured by police vehicles; interest rate is 3.0%; with final maturity date October 29, 2019	16,036	11,976
Bank Loan #387557	Note Payable with bank, original issue amount of \$403,321; dated November 25, 2013; secured by mortgage on real property; interest rate is 3.99%; with final maturity date November 25, 2028	303,691	24,232
KY Bond Corp Note	General Obligation Lease Agreement, original issue amount \$1,390,000; dated July 30, 2013; due February 1, 2029; interest rate of 3.12%; secured by personal property and City revenues	1,009,582	85,000
Bank Loan #7100453682	Note Payable with bank, original issue amount of \$65,107; dated November 3, 2016; secured by fire truck; interest rate is 3.0%; with final maturity date November 3, 2026	55,564	5,783
Bank Loan #3089080	Note Payable with bank, original issue amount of \$65,337; dated May 15, 2018; secured by police vehicles; interest rate is 3.75%; with final maturity date May 15, 2023	<u>64,350</u>	<u>12,166</u>
	Total Notes Payable and Fixed Rate Swap Lease	<u>\$1,524,223</u>	<u>\$159,157</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note E-Bonds and Notes Payable (Continued)

Business-type Activities

		<u>Balance</u>	<u>Current</u>
KIA Water Tank	KIA Loan KIA Fund B, Infrastructure Revolving Loan Fund; due June 1, 2024; interest rate of .75%	\$ 51,041	\$ 8,348
KBC Sewer bond	General Obligation Lease Agreement, original issue amount \$1,310,000; dated November 20, 2014; Due February 1, 2032, Variable interest rate, secured by real property	1,047,917	65,000
USDA AR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$2,616,000 due January 1, 2054; interest rate of 2.00%; secured by Revenue Bonds	2,522,000	48,500
USDA BR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$455,000 due January 1, 2054; interest rate of 2.75%; secured by Revenue Bonds	443,000	6,500
USDA CR-1, Bond	United States Department of Agriculture (USDA) Rural Development; original issue \$200,000 due January 1, 2054; interest rate of 2.75%; secured by Revenue Bonds	194,000	3,000
USDA RD 91-05	United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; dated September 19, 2011; secured by City Utility Revenues; interest rate of 4.125%; with final maturity dated January 1, 2048	402,900	7,000
KLC Note - Waterlines	Kentucky League of Cities (KLC) Morehead Pool 2007 Variable Rate Note; original issue amount of \$100,000; dated February 16, 2006; unsecured note; final maturity dated for April 1, 2026	47,698	5,408
USDA RD 92-08	United States Department of Agriculture (USDA) Rural Development; original issue \$450,000; dated November 10, 2011; unsecured note; interest rate of 2.25%; with final maturity date of November 2051	<u>411,000</u>	<u>8,500</u>
	Total Bonds and Notes Payable	<u>\$5,119,556</u>	<u>\$152,256</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note E Bonds and Notes Payable (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

<u>General Government Activities</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>
Notes Payable	\$ 417,117	\$65,337	\$ (42,813)	\$ 439,641
Lease Obligations	1,191,665	-	(107,083)	1,084,582
	<u>\$ 1,608,782</u>	<u>\$65,337</u>	<u>\$ (149,896)</u>	<u>\$ 1,524,223</u>
<u>Business-type Activities</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>
Bond Obligations	\$ 4,103,526	\$ -	\$(70,209)	\$ 4,033,317
Notes Payable	1,165,824	-	(79,585)	1,086,239
	<u>\$ 5,269,350</u>	<u>\$ -</u>	<u>\$(149,794)</u>	<u>\$ 5,119,556</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the governmental activities, as of June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 159,157	\$ 57,610	\$ 216,767
2020	159,929	52,038	211,967
2021	167,555	46,171	213,726
2022	142,225	41,314	183,539
2023	144,917	36,300	181,217
2024-2028	709,385	95,136	804,521
2029-2033	41,053	1,639	42,692
Total	<u>\$ 1,524,223</u>	<u>\$ 330,206</u>	<u>\$ 1,854,428</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note E-Bonds and Notes Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the business-type activities, as of June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 152,256	\$ 130,238	\$ 282,494
2020	158,821	127,146	285,967
2021	161,901	122,182	284,083
2022	165,567	118,308	283,875
2023	170,678	113,753	284,431
2024-2028	872,648	500,412	1,373,059
2029-2033	775,786	366,611	1,142,397
2034-2038	555,100	280,149	835,249
2039-2043	627,700	207,551	835,251
2044-2048	712,600	121,038	833,638
2049-2053	643,500	44,158	687,658
2054-2058	123,000	1,746	124,746
Total	<u>\$ 5,119,556</u>	<u>\$ 2,133,291</u>	<u>\$ 7,252,848</u>

Note F- Compliance with Bond Ordinance

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

Depreciation – This account is to receive funds monthly from the remaining revenues of the financed system. At June 30, 2018, the account was to receive \$200 each month with a reserve cap of \$24,000 for Water Bond 91-05 and \$150 each month with a reserve cap of \$18,000 for Sewer Bond 92-08. The City is in compliance with the ordinance.

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

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

Note G – Risk Management

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note H- Related Parties Transactions

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

Note I - Economic Dependency

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

Note J – Retirement Plan

Plan Description

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

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

For the fiscal year ended June 30, 2018 the City's covered payroll for non-hazardous positions was \$768,436. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2018. Contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	19.18%
Hazardous	8.0%-9.0%	31.55%

The City's contribution for the fiscal year ended June 30, 2018 amounted to \$183,392, of which \$147,386 was contributed by the City and \$36,006 by the City's employees.

Membership in CERS consisted of the following at June 30, 2017:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	54,018	7,186	61,204
Inactive memberships	78,940	2,442	81,382
Active plan members	<u>84,401</u>	<u>9,321</u>	<u>93,722</u>
	<u>217,359</u>	<u>18,949</u>	<u>236,308</u>
Number of participating employers			<u>1,138</u>

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note J – Retirement Plan (Continued)

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

At June 30, 2018, the City reported a liability of \$1,498,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.026 percent for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$190,895. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ -	\$ 81,413
Differences between expected and actual experience	1,859	38,043
Changes of assumptions	276,547	-
Net difference between projected and actual earnings on Plan investments	118,694	100,157
City's contributions subsequent to the measurement date	100,825	-
Total	\$ 497,925	\$ 219,613

The \$100,825 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ 67,917
2020	89,208
2021	39,605
2022	(19,244)

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

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

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note J – Retirement Plan (Continued)

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication.

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%

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

Long Term Rate of Return: The long term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long term rate of return assumption including long term historical data, estimates inherent in current market data, and a log normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note J – Retirement Plan (Continued)

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

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S Equity	5.97%	17.50%
International Equity	7.85%	17.50%
Global Bonds	2.63%	4.00%
Global Credit	3.63%	2.00%
High Yield	5.75%	7.00%
Emerging Market Debt	5.50%	5.00%
Private Credit	8.75%	10.00%
Real Estate	0.11%	5.00%
Absolute Return	5.63%	10.00%
Real Return	6.13%	10.00%
Private Equity	8.25%	10.00%
Cash	1.88%	2.00%
	<u>6.56%</u>	<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

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

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

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 1,890,000
Current discount rate	6.25%	\$ 1,498,000
1% increase	7.25%	\$ 1,171,000

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note J – Retirement Plan (Continued)

Payables to the pension plan: At June 30, 2018, the City reported a payable including insurance contributions of \$15,013 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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

At June 30, 2018, the net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	\$	151,011
Deferred Inflows of Resources	\$	26,950
Net OPEB Liability:	\$	514,728

Plan Description

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

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

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2018 was 4.70% of covered payroll. Contributions to the Insurance Fund from the City were \$36,116 for the year ended June 30, 2018. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

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

Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication.

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rate	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set back 1 year for females).

Discount Rate

The projection of cash flows used to determine the discount rate of 5.83% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

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

future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. The assumptions are intended to be long-term assumptions and are not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S Equity	5.97%	17.50%
International Equity	7.85%	17.50%
Global Bonds	2.63%	4.00%
Global Credit	3.63%	2.00%
High Yield	5.75%	7.00%
Emerging Market		
Debt	5.50%	5.00%
Private Credit	8.75%	10.00%
Real Estate	0.11%	5.00%
Absolute Return	5.63%	10.00%
Real Return	6.13%	10.00%
Private Equity	8.25%	10.00%
Cash	1.88%	2.00%
	6.56%	100.00%

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

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.83%) or one percentage point higher (6.83%) follows:

	Discount Rate	City's proportionate share of net OPEB liability
1% decrease	4.83%	\$ 654,000
Current discount rate	5.83%	\$ 515,000
1% increase	6.83%	\$ 398,000

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

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

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

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower(6.5%) or one percentage point higher (8.5%) than current healthcare cost trend rates follows:

	Healthcare Cost Trend Rate		City's proportionate share of net OPEB liability
1% decrease	6.5%	\$	394,000
Current healthcare rate	7.5%	\$	515,000
1% increase	8.5%	\$	670,000

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

At June 30, 2018, the City reported a liability of \$514,728 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2017. This method to be reflective of the employers' long-term contribution effort. At June 30, 2017, the City's proportion was 0.025604% for nonhazardous.

For the year ended June 30, 2018, the City recognized OPEB expense of \$58,655. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ -	\$ 1,194
Implicit subsidy	6,291	-
Differences between expected and actual results	-	1,430
Changes of assumptions	112,002	-
Net difference between projected and actual earnings on Plan investments	-	24,326
City contributions subsequent to the measurement date	32,718	-
Total	\$ 151,011	\$ 26,950

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

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

The \$80,461 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	\$14,634
2020	14,634
2021	14,634
2022	14,634
2023	20,716
Thereafter	5,801

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

Note L - Rent Expense

Effective June 5, 1989, by action of the City Council of Greensburg, Kentucky, the Greensburg Water and Sewer System rents its office facilities from the City of Greensburg. The rate is adjusted annually. The rate at June 30, 2018 was \$ 36,000 year.

Note M - Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through July 11, 2019 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2018, have not been evaluated by the City.

Note N – Prior Period Adjustment

The GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has implemented this statement, to its financial statements for the year ending June 30, 2018, effective July 1, 2017.

City of Greensburg, Kentucky
Notes to Financial Statements (Continued)
June 30, 2018

Note N – Prior Period Adjustment (Continued)

As a result of the implementation of the new accounting standard, the City restated beginning net position for governmental and business-type activities as noted below:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Beginning of year, as previously reported		
Net Position	\$ 4,269,415	\$ 4,651,217
Net OPEB liability	(197,872)	(205,865)
Deferred outflows of resources	14,380	16,834
Total	<u>(183,492)</u>	<u>(189,031)</u>
Beginning of year, as restated		
Net Position	<u>\$ 4,085,923</u>	<u>\$ 4,462,186</u>

Note O – Recently Issued Accounting Standards Update

GASB Statement No. 83—In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018–19 fiscal year. The City has not determined the effect of this pronouncement.

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

GASB Statement No. 87—In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or the 2020-21 fiscal year. The City has not determined the effect of this pronouncement.

REQUIRED SUPPLEMENTAL INFORMATION

City of Greensburg, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - General Fund
June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Taxes	\$ 911,500	\$ 911,500	\$ 972,669	\$ 61,169
Fees, Licenses and permits	158,000	158,000	220,725	62,725
Intergovernmental programs	532,675	532,675	280,172	(252,503)
Miscellaneous income	319,900	319,900	127,278	(192,622)
Total Revenue	<u>1,922,075</u>	<u>1,922,075</u>	<u>1,600,844</u>	<u>(321,231)</u>
Expenditures				
General government	1,371,275	1,371,275	1,139,758	231,517
Municipal road aid	50,000	50,000	9,966	40,034
Debt service	143,734	143,734	184,373	(40,639)
Capital outlay	390,336	390,336	335,233	55,103
Total Expenditures	<u>1,955,345</u>	<u>1,955,345</u>	<u>1,669,330</u>	<u>286,015</u>
Excess of Revenues Over (Under) expenditures	<u>(33,270)</u>	<u>(33,270)</u>	<u>(68,486)</u>	<u>(35,216)</u>
Other Financing Sources				
Transfer in (out)	66,000	66,000	141,869	75,869
Interest income	-	-	506	506
Proceeds from debt financing	-	-	64,350	64,350
Proceeds from sale of asset	-	-	3,260	3,260
Total Other Financing Sources	<u>66,000</u>	<u>66,000</u>	<u>209,985</u>	<u>143,985</u>
Net Change in Fund Balance	32,730	32,730	141,499	108,769
Fund Balance July 1, 2017	<u>1,121,954</u>	<u>1,121,954</u>	<u>1,121,954</u>	<u>-</u>
Fund Balance June 30, 2018	<u>\$ 1,154,684</u>	<u>\$ 1,154,684</u>	<u>\$ 1,263,453</u>	<u>\$ 108,769</u>

See accompanying notes to financial statements.

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

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

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

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

City of Greensburg, Kentucky
 Schedule of the City's OPEB Contributions
 County Employees' Retirement System
 Fiscal Year 2018

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

City of Greensburg, Kentucky
Schedule of Changes in the City's OPEB Liability
County Employees' Retirement System
Fiscal Year 2018

Change in the Net OPEB Liability	<u>Non-Hazardous</u>
Total OPEB liability	
Service Cost	\$ 21,883
Interest	61,668
Benefit Changes	-
Difference between actual and expected experience	(1,700)
Assumption Changes	133,214
Benefit Payments	<u>(35,876)</u>
Net Change on Total OPEB Liability	179,189
Total OPEB Liability - Beginning	<u>902,037</u>
Total OPEB Liability - Ending	<u>\$ 1,081,226</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 34,137
Contributions - Member	2,345
Benefit Payments	(35,876)
Net Investment Income	67,795
Administrative Expense	(202)
Other	-
Net Change in Plan Fiduciary Net Position	<u>68,198</u>
Plan Fiduciary Net Position - Beginning	<u>498,300</u>
Plan Fiduciary Net Position - Ending	<u>\$ 566,498</u>
Net OPEB Liability - Ending	514,728
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.4%
Covered Payroll	\$ 768,436
Net OPEB Liability as a Percentage of Covered Payroll	67.0%

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, 2018 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2018 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:

City of Greensburg, Kentucky
June 30, 2018

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

Established Condition Level

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

Assessed Conditions

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

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

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

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

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

To the Mayor and City Council
City of Greensburg, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund the City of Greensburg, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Greensburg, Kentucky's basic financial statements and have issued our report thereon dated July 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

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

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
July 11, 2019