

# TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804

GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877

FAX 270-651-8879

JOHN M. TAYLOR, CPA  
FREDDIE C. POLSON, CPA  
BELINDA E. COULTER, CPA

JANET M. WILEY, CPA  
JOHN M. TAYLOR III, CPA  
JEFF P. CARTER, CPA

BRANCH OFFICE  
108 WEST THIRD STREET  
TOMPKINSVILLE, KENTUCKY 42167  
TELEPHONE 270-487-6515  
FAX 270-487-9165

February 4, 2009

Attention: Terry  
Finance Department  
Kentucky League of Cities  
101 East Vine Street, Suite 600  
Lexington, KY 40507

Dear Terry:

Enclosed is one copy of the Annual Financial Report for the City of Edmonton, Kentucky, for the year ended June 30, 2008.

If you have any questions, please advise.

Respectfully yours,

**TAYLOR, POLSON & COMPANY, PSC**



Freddie C. Polson, CPA

fcp/bjb

Enclosure

cc: Mayor Howard Garrett  
City of Edmonton  
Edmonton, KY 42129

**CITY OF EDMONTON, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2008**

**Notice: These financial statements are not to be reproduced (in part or in full)  
without written permission from Taylor, Polson & Company, PSC.**

## TABLE OF CONTENTS

	PAGE
DIRECTORY	4
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	5 – 6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7 – 17
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	18 – 20
STATEMENT OF ACTIVITIES	21 – 23
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	24
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	27
BALANCE SHEET – PROPRIETARY FUNDS	28 – 29
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS – PROPRIETARY FUNDS	30
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	31 – 32
NOTES TO THE FINANCIAL STATEMENTS	33 – 61
REQUIRED SUPPLEMENTARY INFORMATION	62
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	
GENERAL FUND	63
SPECIAL REVENUE FUNDS	64

**TABLE OF CONTENTS – CONCLUDED**

	<b>PAGE</b>
<b>FINANCIAL SECTION – CONCLUDED</b>	
<b>SUPPLEMENTARY INFORMATION</b>	<b>65</b>
<b>COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS</b>	<b>66</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES             IN FUND BALANCES – SPECIAL REVENUE FUNDS</b>	<b>67</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT – EDMONTON-METCALFE         INDUSTRIAL DEVELOPMENT AUTHORITY</b>	
<b>BALANCE SHEET</b>	<b>68</b>
<b>RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF             NET ASSETS</b>	<b>69</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN             FUND BALANCE</b>	<b>70</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,             AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES</b>	<b>71</b>
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>72 – 74</b>

## DIRECTORY

### CITY OF EDMONTON, KENTUCKY

#### (MAYOR-COUNCIL FORM OF GOVERNMENT)

#### MAYOR

HOWARD D. GARRETT

#### COUNCIL MEMBERS

TIMMY THOMPSON  
WAYNE WILSON  
COY WILSON

BILLY JEFFRIES  
TERESA WELSH  
CURT ESTES

CITY CLERK-TREASURER.....ELIZABETH GIBSON  
DEPUTY CITY CLERK.....DAWN DEVORE  
ASSISTANT CITY CLERK.....ALICIA REED  
ASSISTANT CITY CLERK.....CONNIE SHIVE  
CITY ATTORNEY.....SHARON BOWLES HOWARD  
CITY SUPERINTENDENT.....HAROLD STILTS  
POLICE CHIEF.....TONY HARRIS  
PARKS AND RECREATION DIRECTOR.....PAGE EDWARDS

# TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804

GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877

FAX 270-651-8879

JOHN M. TAYLOR, CPA  
FREDDIE C. POLSON, CPA  
BELINDA E. COULTER, CPA

JANET M. WILEY, CPA  
JOHN M. TAYLOR III, CPA  
JEFF P. CARTER, CPA

BRANCH OFFICE  
108 WEST THIRD STREET  
TOMPKINSVILLE, KENTUCKY 42167  
TELEPHONE 270-487-6515  
FAX 270-487-9165

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Edmonton, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Edmonton, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, the discretely presented component unit, each major fund, and the remaining fund information of the City of Edmonton, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2009, on our consideration of the City of Edmonton, Kentucky, internal control over financial reporting and our tests 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Honorable Mayor and Members of the City Council  
City of Edmonton, Kentucky

The management's discussion and analysis and budgetary comparison information on Pages 7 through 17 and 62 through 64, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Edmonton, Kentucky's basic financial statements. The combining fund and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund and component unit financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Jayne Polson & Company, PSC*  
Certified Public Accountants

January 28, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management of the City of Edmonton presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2008. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures.

### **FINANCIAL HIGHLIGHTS**

#### **Assets and Liabilities**

- As of June 30, 2008, the City's assets exceeded liabilities by \$11,804,434. Total net assets are comprised of the following:
  1. Net assets of \$8,564,308 are invested in property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  2. Net assets of \$1,098,688 are restricted to specific projects by laws, regulations, contractual agreements, or debt service.
  3. Unrestricted net assets of \$2,141,438 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2008, were \$1,658,080, and current liabilities payable from unrestricted resources were \$721,217.
- Net assets increased by \$751,894.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$80,872 to a total of \$2,341,848.
- Fund balances in the proprietary funds increased \$622,334 to a total of \$7,859,189.

#### **Revenues and Expenditures**

- Revenues in governmental funds were \$1,365,290. This amount includes property taxes, occupational licenses and taxes, insurance premiums tax, franchise fees, parks and recreation income, and other items.
- Expenditures in the governmental fund type were \$1,384,227. This includes amounts for general government, public safety (police, fire, and E911), street department, parks and recreation, capital outlay and debt service.
- Other financing sources and uses in the governmental fund type were \$99,809. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$2,983,379. This includes charges for utility services (water, sewer, and natural gas).



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FINANCIAL HIGHLIGHTS - CONCLUDED**

**Revenues and Expenditures - Concluded**

- Expenses in the proprietary fund types totaled \$2,938,343. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$577,298 of revenue. This amount includes grant income, interest income, bond interest expense, and other income and expense items.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's discussion and analysis are intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The statement of net assets presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as net assets. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Government-wide statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported with user fees and charges. Governmental activities include administrative functions, streets, public safety (police, fire, and E911), parks and recreation, and special revenue funds (municipal road aid, LGEA, and HOME projects). Business-type activities include utility services for water, sewer, and natural gas.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Edmonton-Metcalfe Industrial Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED**

**Fund Financial Statements**

Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Edmonton, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds. The City does not have any fiduciary funds, but does use the governmental and proprietary fund types.

Governmental funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources such as cash, investments, and receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. This reconciliation will explain the adjustments necessary to compare the long-term resources and liabilities for the government-wide statements with the current picture presented in the fund statements.

Edmonton uses the following governmental funds:

- General Fund
- Municipal Road Aid Fund
- LGEA
- Federal Grants Projects

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City does not have internal service funds but does have enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Services are provided to customers external to the City organization such as water utilities, sewer utilities, and natural gas utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Edmonton uses the following proprietary funds:

- Water
- Sewer
- Natural Gas

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS - CONCLUDED**

**Notes to the Financial Statements**

Immediately following the basic financial statements are the notes to the financial statements. Notes provide additional information that is essential to a full understanding of the information included in the financial statements. The notes also provide additional details about the balances and transactions in the City's financial statements.

**Other Information**

The last section of this report includes two types of supplementary information. Required supplementary information must be included to conform with generally accepted accounting principles, while other supplementary information is presented to expand the City's financial presentations. Management's discussion and analysis and the budgetary comparisons for the major funds are required supplementary information included in this report. Other supplementary information includes the combining statements for the special revenue funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following two pages summarize, in a condensed format, the net assets and results of operations of the City, with comparisons to the prior year.

The first statement offers a snapshot of the assets, liabilities, and net assets as of the end of each year.

Included in the non-current assets are capital assets, reported net of depreciation. The City completed a comprehensive capital asset inventory and compiled the information into a database to help manage the City's investment in these valuable resources.

Of the City's net assets in the governmental-type activities, \$136,762 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$961,926 of the City's business-type activities' net assets is restricted for debt service.

The second statement presents a brief look at the operations. We offer some broad observations about this year's operations. Property taxes increased \$5,879 over the previous year. Occupational license fees increased \$46,542 over the previous year. The change in net assets was an increase of \$129,560 for governmental-type activities and an increase of \$622,334 for business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NET ASSETS**

	Governmental Activities		PRIMARY GOVERNMENT Business-type Activities		Total 6-30-08	Total 6-30-07
	6-30-08	6-30-07	6-30-08	6-30-07		
<b>ASSETS</b>						
Current Assets	2,321,709	2,246,641	2,029,123	1,985,649	4,350,832	4,232,290
Restricted Assets	60,907	55,952	961,926	864,646	1,022,833	920,598
Non-Current Assets	<u>3,846,157</u>	<u>3,954,009</u>	<u>10,455,354</u>	<u>10,184,993</u>	<u>14,301,511</u>	<u>14,139,002</u>
<b>Total Assets</b>	<b><u>6,228,773</u></b>	<b><u>6,256,602</u></b>	<b><u>13,446,403</u></b>	<b><u>13,035,288</u></b>	<b><u>19,675,176</u></b>	<b><u>19,291,890</u></b>
<b>LIABILITIES</b>						
Current Liabilities	182,540	172,657	2,167,897	2,229,577	2,350,437	2,402,234
Liabilities Payable from Restricted Assets	26,500	25,500	140,874	137,113	167,374	162,613
Non-Current Liabilities	<u>2,074,488</u>	<u>2,242,760</u>	<u>3,278,443</u>	<u>3,431,743</u>	<u>5,352,931</u>	<u>5,674,503</u>
<b>Total Liabilities</b>	<b><u>2,283,528</u></b>	<b><u>2,440,917</u></b>	<b><u>5,587,214</u></b>	<b><u>5,798,433</u></b>	<b><u>7,870,742</u></b>	<b><u>8,239,350</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Debt	1,603,397	1,554,710	6,960,911	6,516,945	8,564,308	8,071,655
Restricted	136,762	140,832	961,926	864,646	1,098,688	1,005,478
Unrestricted	<u>2,205,086</u>	<u>2,120,143</u>	<u>( 63,648)</u>	<u>( 144,736)</u>	<u>2,141,438</u>	<u>1,975,407</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,945,245</u></b>	<b><u>3,815,685</u></b>	<b><u>7,859,189</u></b>	<b><u>7,236,855</u></b>	<b><u>11,804,434</u></b>	<b><u>11,052,540</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**OPERATING RESULTS**

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	
	6-30-08	6-30-07	6-30-08	6-30-07	6-30-08	6-30-07
<b>PROGRAM REVENUES</b>						
Charges for Services	65,007	44,827	2,983,379	3,052,571	3,048,386	3,097,398
Operating Grants and Contributions	172,759	70,974	0	0	172,759	70,974
Capital Grants and Contributions	37,308	183,099	682,615	34,197	719,923	217,296
<b>GENERAL REVENUES</b>						
Property Taxes	78,553	72,674	0	0	78,553	72,674
Occupational Licenses and Tax	887,840	841,298	0	0	887,840	841,298
Insurance Premiums Tax	191,169	192,885	0	0	191,169	192,885
Franchise Fees	9,197	13,694	0	0	9,197	13,694
Investment Income	23,779	37,607	58,667	76,801	82,446	114,408
Sale of Assets	0	3,423	9,827	1,875	9,827	5,298
Miscellaneous Income	7,564	35,822	0	0	7,564	35,822
<b>Total Revenues</b>	<b><u>1,473,176</u></b>	<b><u>1,496,303</u></b>	<b><u>3,734,488</u></b>	<b><u>3,165,444</u></b>	<b><u>5,207,664</u></b>	<b><u>4,661,747</u></b>
<b>PROGRAM EXPENSES</b>						
Administrative	284,534	297,334	0	0	284,534	297,334
Police	531,242	499,938	0	0	531,242	499,938
Fire	15,868	30,318	0	0	15,868	30,318
E911	68,774	68,857	0	0	68,774	68,857
Street Department	51,887	53,940	0	0	51,887	53,940
Parks and Recreation	280,158	271,834	0	0	280,158	271,834
Interest on Long-Term Debt	103,896	112,576	0	0	103,896	112,576
Water Utilities	0	0	1,135,678	1,141,620	1,135,678	1,141,620
Sewer Utilities	0	0	145,989	149,646	145,989	149,646
Natural Gas Utilities	0	0	1,830,615	1,874,901	1,830,615	1,874,901
<b>Total Expenses</b>	<b><u>1,336,359</u></b>	<b><u>1,334,797</u></b>	<b><u>3,112,282</u></b>	<b><u>3,166,167</u></b>	<b><u>4,448,641</u></b>	<b><u>4,500,964</u></b>
<b>EXCESS BEFORE TRANSFERS</b>	<b>136,817</b>	<b>161,506</b>	<b>622,206</b>	<b>( 723)</b>	<b>759,023</b>	<b>160,783</b>
Transfers	( 7,257)	( 8,370)	128	0	( 7,129)	( 8,370)
<b>INCREASE IN NET ASSETS</b>	<b><u>129,560</u></b>	<b><u>153,136</u></b>	<b><u>622,334</u></b>	<b><u>( 723)</u></b>	<b><u>751,894</u></b>	<b><u>152,413</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONCLUDED**

Following are the governmental revenues as a percent of total, to assist in the analysis of the City's activities:

	<u>6-30-08</u>	<u>6-30-07</u>
Occupational Licenses and Taxes	60%	56%
Insurance Premiums Tax	13%	13%
Capital Grants and Contributions	3%	12%
Operating Grants and Contributions	11%	5%
Property Taxes	5%	5%
Charges for Services	4%	3%
Miscellaneous	1%	2%
Franchise Fees	1%	1%
Investment Income	<u>2%</u>	<u>3%</u>
<b>Governmental Revenue</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Following are the governmental expenses as a percent of total, to assist in the analysis of the City's activities:

	<u>6-30-08</u>	<u>6-30-07</u>
Police	40%	38%
Administration	21%	22%
Parks and Recreation	21%	21%
Fire	1%	2%
Interest on Long-Term Debt	8%	8%
E911	5%	5%
Streets	<u>4%</u>	<u>4%</u>
<b>Governmental Expenses</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Following are the business-type activities' revenues versus costs:

- Water Fund revenues were \$1,069,404 as compared to costs of \$1,135,678.
- Sewer Fund revenues were \$161,413 as compared to costs of \$145,898.
- Natural Gas Fund revenues were \$1,752,562 as compared to costs of \$1,830,615.

The business-type activities are shown comparing revenues generated to costs incurred by the related utility services. Water utilities, sewer utilities, and natural gas utilities are intended to be self-supporting with user charges and other revenues designed to recover costs. Economic events and weather patterns can either positively or negatively impact these services and costs.

**Governmental Funds**

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The principles of measurement in the governmental fund statements are also different than the government-wide

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental Funds - Concluded**

statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

Financial information for the City's governmental funds is summarized on the balance sheet for governmental funds and the statement of revenues, expenditures, and changes in fund balances of governmental funds. Governmental fund balances increased \$80,872, which includes a decrease of \$18,937 from operations and an increase of \$99,809 from other financing sources.

This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds report ending fund balances of \$2,341,848. Of this year-end total, approximately \$2,269,839 is unreserved, indicating availability for continuing City service requirements. Reserved fund balances include \$61,628 for debt service and \$10,381 for special revenue funds.

**Major Governmental Funds**

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. Fund balance of the general fund increased by \$75,901. Key factors contributing to this increase include the receipt of grant proceeds.

The special revenue fund is made up of three individual funds (municipal road aid, LGEA, and federal grant projects), which are combined in the supplementary information. Fund balance of the special revenue fund increased by \$4,971.

**Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Financial information for the City's proprietary funds is summarized on the balance sheet for proprietary funds and the statement of revenues, expenses, and changes in retained earnings as well as the statement of cash flows for proprietary fund types. Total fund equity increased by \$622,334, which includes operating income of \$45,036 and net income from non-operating activities of \$577,298.

**Major Proprietary Funds**

The City of Edmonton reports the activities of the water fund, sewer fund, and natural gas fund.

The water fund reported an increase in retained earnings of \$366,043. The water fund had income of \$64,843 from operations and \$301,200 of net income from non-operating activities. The water fund reports a retained earnings amount of \$5,132,257 of which \$952,006 is restricted for debt service.

The sewer fund reported an increase in retained earnings of \$304,030. The sewer fund had income of \$21,633 from operations and \$282,397 net income from non-operating activities. The sewer fund reports a retained earnings amount of \$826,103 of which \$4,331 is restricted for debt service.

The natural gas fund reported a decrease in retained earnings of \$47,739. The natural gas fund had a loss of \$41,440 from operations and \$6,299 net expenses from non-operating activities. The natural gas fund reports a retained earnings amount of \$1,900,829 of which \$5,589 is restricted for debt service.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Over the course of the year, the City's budget may be revised by the City Council. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

The change in the general fund balance was more than budget estimates by \$42,043, since revenues exceeded budget by \$44,088, expenditures were less than budget by \$197,562, and other financing sources were less by \$199,607.

Budgetary comparison schedules for major individual funds are found in the required supplementary information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The City invests substantial resources in capital assets that support the services provided to the public. Following are tables summarizing the City's capital assets and long-term debt.

CAPITAL ASSETS	PRIMARY GOVERNMENT		Total
	Governmental Activities	Business-type Activities	
Land	1,718,129	15,863	1,733,992
Land Improvements	7,700	0	7,700
Buildings and Improvements	1,328,717	2,913,929	4,242,646
Equipment and Furnishings	276,510	12,932,523	13,209,033
Vehicles	668,196	0	668,196
Streets and Sidewalks	287,979	0	287,979
Municipal Park	883,060	0	883,060
	<u>5,170,291</u>	<u>15,862,315</u>	<u>21,032,606</u>
Accumulated Depreciation	(1,324,134)	( 5,468,661)	( 6,792,795)
<b>TOTAL</b>	<u><b>3,846,157</b></u>	<u><b>10,393,654</b></u>	<u><b>14,239,811</b></u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED**

LONG-TERM DEBT	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b>Capital Leases</b>			
KADD Financing Trust	355,000	0	355,000
Musco Sports Lighting, LLC	312,654	0	312,654
Kentucky League of Cities General Obligation	1,225,938	0	1,225,938
Special Obligation	<u>132,168</u>	<u>0</u>	<u>132,168</u>
<b>Total Capital Leases</b>	<b><u>2,025,760</u></b>	<b><u>0</u></b>	<b><u>2,025,760</u></b>
<b>Loans</b>			
Kentucky Infrastructure Authority	0	90,000	90,000
Kentucky League of Cities	<u>0</u>	<u>640,000</u>	<u>640,000</u>
<b>Total Loans</b>	<b><u>0</u></b>	<b><u>730,000</u></b>	<b><u>730,000</u></b>
<b>Bonds</b>			
General Obligation Bond	217,000	0	217,000
Revenue Bonds			
1980 Issue	0	46,500	46,500
1982 Issue Ser A	0	94,000	94,000
1982 Issue Ser B	0	71,000	71,000
1982 Issue Ser C	0	37,500	37,500
1984 Issue	0	423,943	423,943
1990 Issue	0	297,000	297,000
1993 Issue	0	276,000	276,000
1995 Issue	0	385,000	385,000
1996 Issue	0	189,200	189,200
2000 Issue	0	104,600	104,600
2002 Issue	<u>0</u>	<u>778,000</u>	<u>778,000</u>
<b>Total Bonds</b>	<b><u>217,000</u></b>	<b><u>2,702,743</u></b>	<b><u>2,919,743</u></b>

All of the City's capital leases have been used to acquire or construct capital assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**THE OUTLOOK FOR NEXT YEAR**

Given the continued state of the national economy, Edmonton has fared well. While many communities are experiencing high unemployment, the unemployment rate for the City of Edmonton and Metcalfe County has remained very low.

The City of Edmonton will continue to support the organizations and boards that depend upon the City's commitment. Our support will still be there for the Edmonton-Metcalfe County Chamber of Commerce, Edmonton-Metcalfe County 911 Police Dispatch, Edmonton Volunteer Fire Department, Senior Citizens Center, Hospice of Metcalfe County, Metcalfe County Community Medical Board, and Edmonton-Metcalfe County Industrial Authority.

As the City makes these commitments, we would like the citizens of Edmonton, the Council, and the employees to know that the City will be facing serious issues this year. We will continue to work hard to continue to keep the City services at the level that we have now. The cost of rising fuel prices, health care, retirement cost for the City employees, cost of utilities, cost of water, cost for workers compensation insurance, property insurance cost, and the cost of supplies and materials in all departments have continued to rise and are just a few issues that the City will be facing this year. A major issue on the revenue side the City will be facing is the loss of occupational tax revenue and other revenue from the closing of Sumitomo Electric Wintec of America. It will be imperative that we replace the loss of this industry and the jobs with another industry or with job expansions at existing industries. Together we can make the right decisions that will be for the benefit of all.

The major projects in the coming year include the following: water line expansions and improvements, Industrial Park improvements and expansions, wastewater improvements and expansions, the memorial area at the Edmonton Memorial Park, and the Comprehensive Land Use Plan.

Future projects that the City intends to pursue are the following: water sales from Adair County Water District, plans for a water connection with Monroe County Water District, and possible exploratory talks with Green-Taylor Water District on a connection on their system. With these connections, the City of Edmonton would not be totally dependent on the Glasgow Water Company to supply all of the City's water needs. The City will apply for grant funds to be used for playground equipment for our park system and will continue to pursue grant funds for our water and sewer departments.

The City of Edmonton has done well in the past and, with the cooperation of all, we can look forward to the future with much hope.

**ADDITIONAL INFORMATION**

If you have any questions, or need additional information about these financial statements, please contact Elizabeth Gibson, City Clerk.

**CITY OF EDMONTON, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNIT</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>CURRENT ASSETS</b>				
Cash on Hand and in Banks	849,818	808,262	1,658,080	13,612
Investments	193,586	344,867	538,453	51,085
Receivables, Net of Allowance for Uncollectible Accounts				
Property Taxes	3,272	0	3,272	0
Trade Accounts	0	515,151	515,151	0
Internal Receivable	1,271,600	357,620	1,629,220	0
Due from Other Governments	3,433	0	3,433	0
Current Refunding, Net of Accumulated Amortization	<u>0</u>	<u>3,223</u>	<u>3,223</u>	<u>0</u>
<b>Total Current Assets</b>	<b><u>2,321,709</u></b>	<b><u>2,029,123</u></b>	<b><u>4,350,832</u></b>	<b><u>64,697</u></b>
<b>RESTRICTED ASSETS</b>				
Cash and Savings				
Sinking Funds	24,082	334,996	359,078	0
Funded Depreciation	32,170	241,181	273,351	0
Other Cash	<u>4,655</u>	<u>385,749</u>	<u>390,404</u>	<u>0</u>
<b>Total Restricted Assets</b>	<b><u>60,907</u></b>	<b><u>961,926</u></b>	<b><u>1,022,833</u></b>	<b><u>0</u></b>
<b>NON-CURRENT ASSETS</b>				
Loan and Bond Issuance Costs, Net of Accumulated Amortization	0	61,615	61,615	0
Capital Assets				
Land	1,718,129	15,863	1,733,992	219,097
Other Capital Assets, Net of Accumulated Depreciation	2,128,028	10,377,791	12,505,819	1,661,767
Deposits	<u>0</u>	<u>85</u>	<u>85</u>	<u>0</u>
<b>Total Non-Current Assets</b>	<b><u>3,846,157</u></b>	<b><u>10,455,354</u></b>	<b><u>14,301,511</u></b>	<b><u>1,880,864</u></b>
<b>TOTAL ASSETS</b>	<b><u>6,228,773</u></b>	<b><u>13,446,403</u></b>	<b><u>19,675,176</u></b>	<b><u>1,945,561</u></b>

**CITY OF EDMONTON, KENTUCKY**  
**STATEMENT OF NET ASSETS - CONTINUED**  
**JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNIT</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>CURRENT LIABILITIES</b>				
Accounts Payable	15,007	87,506	102,513	0
Payroll Withholdings	4,074	0	4,074	0
Accrued Expenses				
School Tax	0	5,167	5,167	0
Sales Tax	0	3,474	3,474	0
Vacation Accrual	21,687	31,386	53,073	0
Meter Deposits	0	331,144	331,144	0
Current Portion of				
Loans Payable	0	80,000	80,000	0
Leases Payable	141,772	0	141,772	0
Internal Payable	0	1,629,220	1,629,220	0
<b>Total Current Liabilities</b>	<b><u>182,540</u></b>	<b><u>2,167,897</u></b>	<b><u>2,350,437</u></b>	<b><u>0</u></b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Accrued Interest	0	66,574	66,574	0
Current Portion of				
General Obligation Bonds	26,500	0	26,500	0
Revenue Bonds	0	74,300	74,300	0
<b>Total Liabilities Payable From Restricted Assets</b>	<b><u>26,500</u></b>	<b><u>140,874</u></b>	<b><u>167,374</u></b>	<b><u>0</u></b>
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Portion of Financing				
General Obligation Bonds	190,500	0	190,500	0
Revenue Bonds	0	2,628,443	2,628,443	0
Loans Payable				
Kentucky Infrastructure Authority	0	60,000	60,000	0
Kentucky League of Cities	0	590,000	590,000	0
Edmonton State Bank	0	0	0	25,000
Leases Payable				
General Obligation				
Park	1,096,501	0	1,096,501	0
Police Cars	51,246	0	51,246	0
Musco Lighting	274,878	0	274,878	0
Special Obligation	126,363	0	126,363	0
KADD	335,000	0	335,000	0
<b>Total Non-Current Liabilities</b>	<b><u>2,074,488</u></b>	<b><u>3,278,443</u></b>	<b><u>5,352,931</u></b>	<b><u>25,000</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>2,283,528</u></b>	<b><u>5,587,214</u></b>	<b><u>7,870,742</u></b>	<b><u>25,000</u></b>

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF NET ASSETS - CONCLUDED  
JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNIT</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,603,397	6,960,911	8,564,308	1,855,864
Restricted for				
Debt Service	60,907	961,926	1,022,833	0
Special Revenue Funds	10,381	0	10,381	0
Public Services	9,989	0	9,989	0
Public Safety	4,503	0	4,503	0
Parks and Recreation	50,982	0	50,982	0
Unrestricted (Deficit)	<u>2,205,086</u>	<u>( 63,648)</u>	<u>2,141,438</u>	<u>64,697</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,945,245</u></b>	<b><u>7,859,189</u></b>	<b><u>11,804,434</u></b>	<b><u>1,920,561</u></b>

See accompanying notes to financial statements.

Program Revenues  
Capital Grants  
and  
Contributions

Net (Expense) Revenue

0	( 200,289)
5,860	( 477,086)
0	( 15,868)
0	( 58,774)
0	( 8,235)
31,448	( 197,137)
0	( 103,896)
<u>37,308</u>	<u>(1,061,285)</u>
321,187	254,913
361,428	376,852
0	( 78,053)
<u>682,615</u>	<u>553,712</u>
<u>719,923</u>	<u>( 507,573)</u>
460,375	429,777
<u>460,375</u>	<u>429,777</u>

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF ACTIVITIES - CONCLUDED  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNIT</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>CHANGE IN NET ASSETS</b>				
<b>Net (Expense) Revenue</b>	<b>(1,061,285)</b>	<b>553,712</b>	<b>( 507,573)</b>	<b>429,777</b>
<b>General Revenues</b>				
Taxes				
Property Taxes	78,553	0	78,553	0
Occupational Licenses and Tax	887,840	0	887,840	0
Insurance Premiums Tax	191,169	0	191,169	0
Franchise Fees	9,197	0	9,197	0
Investment Income	23,779	58,667	82,446	2,535
Miscellaneous	7,564	0	7,564	170
Gain on Sale of Assets	0	9,827	9,827	0
<b>Transfers</b>	<b>( 7,257)</b>	<b>128</b>	<b>( 7,129)</b>	<b>7,129</b>
<b>Total General Revenues     and Transfers</b>	<b>1,190,845</b>	<b>68,622</b>	<b>1,259,467</b>	<b>9,834</b>
<b>CHANGE IN NET ASSETS</b>	<b>129,560</b>	<b>622,334</b>	<b>751,894</b>	<b>439,611</b>
<b>NET ASSETS - BEGINNING</b>	<b>3,815,685</b>	<b>7,236,855</b>	<b>11,052,540</b>	<b>1,480,950</b>
<b>NET ASSETS - ENDING</b>	<b>3,945,245</b>	<b>7,859,189</b>	<b>11,804,434</b>	<b>1,920,561</b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash on Hand and in Banks	842,869	6,948	849,817
Investments	193,586	0	193,586
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	3,272	0	3,272
Due from Other Funds	1,271,600	0	1,271,600
Due from Other Governments	0	3,433	3,433
Restricted Assets - Cash and Savings			
Sinking Funds	24,082	0	24,082
Funded Depreciation	32,170	0	32,170
Other Cash	4,656	0	4,656
<b>TOTAL ASSETS</b>	<b><u>2,372,235</u></b>	<b><u>10,381</u></b>	<b><u>2,382,616</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	15,007	0	15,007
Payroll Withholdings	4,074	0	4,074
Accrued Expenses - Vacation	21,687	0	21,687
<b>Total Liabilities</b>	<b><u>40,768</u></b>	<b><u>0</u></b>	<b><u>40,768</u></b>
<b>FUND BALANCES</b>			
Reserved	61,628	10,381	72,009
Unreserved	2,269,839	0	2,269,839
<b>Total Fund Balances</b>	<b><u>2,331,467</u></b>	<b><u>10,381</u></b>	<b><u>2,341,848</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>2,372,235</u></b>	<b><u>10,381</u></b>	<b><u>2,382,616</u></b>

See accompanying notes to financial statements.



**CITY OF EDMONTON, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

<b>Total Fund Balances – Total Governmental Funds</b>	<b>2,341,848</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$5,170,311, net of accumulated depreciation of (\$1,324,154), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	3,846,157
Long-term liabilities of (\$2,242,760) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	<u>(2,242,760)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>3,945,245</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	78,533	0	78,533
Occupational Licenses and Taxes	887,040	0	887,040
Insurance Premiums Tax	191,169	0	191,169
Franchise Fees	9,197	0	9,197
Intergovernmental Revenue	95,128	43,652	138,780
Penalties and Fines	1,434	0	1,434
Parks and Recreation Income	51,573	0	51,573
Other	<u>7,564</u>	<u>0</u>	<u>7,564</u>
<b>Total Revenues</b>	<b><u>1,321,638</u></b>	<b><u>43,652</u></b>	<b><u>1,365,290</u></b>
<b>EXPENDITURES</b>			
Current			
General Government	217,972	0	217,972
Public Safety			
Police	500,980	0	500,980
Fire	15,868	0	15,868
E911	68,774	0	68,774
Street Department	9,989	38,681	48,670
Parks and Recreation	207,515	0	207,515
Capital Outlay	53,133	0	53,133
Debt Service			
Principal	156,539	0	156,539
Interest	103,896	0	103,896
Agent Fees	<u>10,880</u>	<u>0</u>	<u>10,880</u>
<b>Total Expenditures</b>	<b><u>1,345,546</u></b>	<b><u>38,681</u></b>	<b><u>1,384,227</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>( 23,908)</u></b>	<b><u>4,971</u></b>	<b><u>( 18,937)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interest Income	23,779	0	23,779
Grant Proceeds	83,287	0	83,287
Transfers Out	<u>( 7,257)</u>	<u>0</u>	<u>( 7,257)</u>
<b>Total Other Financing Sources</b>	<b><u>99,809</u></b>	<b><u>0</u></b>	<b><u>99,809</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>75,901</b>	<b>4,971</b>	<b>80,872</b>
<b>FUND BALANCES - BEGINNING</b>	<b><u>2,255,566</u></b>	<b><u>5,410</u></b>	<b><u>2,260,976</u></b>
<b>FUND BALANCES - ENDING</b>	<b><u>2,331,467</u></b>	<b><u>10,381</u></b>	<b><u>2,341,848</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**JUNE 30, 2008**

<b>Net Changes in Fund Balances – Total Governmental Funds</b>	<b>80,872</b>
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$160,984) exceeded capital outlays of \$53,133 in the current period. See Note 3 for additional details.	(107,851)
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of debt payments was \$156,539. See Note 3 for additional details.	<u>156,539</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>129,560</u></b>

See accompanying notes to financial statements.

LIABILITIES AND FUND EQUITY	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
<b>CURRENT LIABILITIES</b>				
Accounts Payable	41,648	6,575	39,283	87,506
Accrued Expenses				
School Tax	2,476	0	2,691	5,167
Sales Tax	459	187	2,828	3,474
Vacation Accrual	9,859	604	20,923	31,386
Meter Deposits	203,358	0	127,786	331,144
Current Portion of Loans Payable	3,000	0	77,000	80,000
Internal Payable	1,124,524	239,679	265,017	1,629,220
<b>Total Current Liabilities</b>	<b>1,385,324</b>	<b>247,045</b>	<b>535,528</b>	<b>2,167,897</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Accrued Interest	61,121	2,354	3,099	66,574
Current Portion of Revenue Bonds	72,700	1,600	0	74,300
<b>Total Liabilities Payable From Restricted Assets</b>	<b>133,821</b>	<b>3,954</b>	<b>3,099</b>	<b>140,874</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Portion of Financing Revenue Bonds Payable	2,525,443	103,000	0	2,628,443
Loans Payable				
Kentucky Infrastructure Authority	6,000	0	54,000	60,000
Kentucky League of Cities	0	0	590,000	590,000
<b>Total Non-Current Liabilities</b>	<b>2,531,443</b>	<b>103,000</b>	<b>644,000</b>	<b>3,278,443</b>
<b>TOTAL LIABILITIES</b>	<b>4,050,588</b>	<b>353,999</b>	<b>1,182,627</b>	<b>5,587,214</b>
<b>FUND EQUITY</b>				
Retained Earnings				
Restricted for Debt Service	952,006	4,331	5,589	961,926
Unrestricted	4,180,251	821,772	1,895,240	6,897,263
<b>Total Fund Equity</b>	<b>5,132,257</b>	<b>826,103</b>	<b>1,900,829</b>	<b>7,859,189</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>9,182,845</b>	<b>1,180,102</b>	<b>3,083,456</b>	<b>13,446,403</b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for Services	1,039,639	149,426	1,734,680	2,923,745
Miscellaneous	29,765	11,987	17,882	59,634
<b>Total Operating Revenues</b>	<b><u>1,069,404</u></b>	<b><u>161,413</u></b>	<b><u>1,752,562</u></b>	<b><u>2,983,379</u></b>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	156,576	36,606	301,186	494,368
Gas Purchased	0	0	1,163,233	1,163,233
Water Purchased	330,845	0	0	330,845
Chemicals	1,332	10,862	0	12,194
Utilities and Telephone	36,149	28,531	7,845	72,525
Materials and Supplies	60,615	897	26,839	88,351
Auto Expense	24,267	675	27,344	52,286
Insurance	72,013	10,266	79,903	162,182
Postage and Freight	7,270	140	6,259	13,669
Depreciation	246,166	32,413	87,453	366,032
Legal and Accounting	6,288	2,288	6,225	14,801
Payroll Taxes and Retirement	36,423	8,290	69,338	114,051
Miscellaneous Expenses	18,559	6,414	13,800	38,773
Bad Debt Expense	8,058	2,398	4,577	15,033
<b>Total Operating Expenses</b>	<b><u>1,004,561</u></b>	<b><u>139,780</u></b>	<b><u>1,794,002</u></b>	<b><u>2,938,343</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>64,843</u></b>	<b><u>21,633</u></b>	<b><u>( 41,440)</u></b>	<b><u>45,036</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Grant Income	321,187	361,428	0	682,615
Interest Income	27,546	807	30,314	58,667
Sale of Assets	9,827	0	0	9,827
Bond Interest	( 124,385)	( 4,997)	0	( 129,382)
Discount and Issuance Cost Amortization	( 6,318)	0	( 3,975)	( 10,293)
Infrastructure Loan Interest	( 414)	( 1,212)	( 32,638)	( 34,264)
Transfers	73,757	( 73,629)	0	128
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>301,200</u></b>	<b><u>282,397</u></b>	<b><u>( 6,299)</u></b>	<b><u>577,298</u></b>
<b>NET INCOME</b>	<b><u>366,043</u></b>	<b><u>304,030</u></b>	<b><u>( 47,739)</u></b>	<b><u>622,334</u></b>
<b>RETAINED EARNINGS - BEGINNING</b>	<b><u>4,766,214</u></b>	<b><u>522,073</u></b>	<b><u>1,948,568</u></b>	<b><u>7,236,855</u></b>
<b>RETAINED EARNINGS - ENDING</b>	<b><u>5,132,257</u></b>	<b><u>826,103</u></b>	<b><u>1,900,829</u></b>	<b><u>7,859,189</u></b>

See accompanying notes to financial statements.

	Enterprise Funds			Total
	Water	Sewer	Natural Gas	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	64,843	21,633	( 41,440)	45,036
Adjustments for Items not Providing or Using Cash				
Depreciation	246,167	32,414	87,453	366,034
(Increase) Decrease in				
Receivables, Net of Allowance				
Trade Accounts	6,881	( 2,787)	(213,890)	(209,796)
Due from Other Funds	0	0	( 2,500)	( 2,500)
Restricted Assets - Cash and Savings				
Sinking Funds	( 5,215)	( 147)	0	( 5,362)
Funded Depreciation Funds	( 18,835)	0	0	( 18,835)
Other Cash	( 74,619)	0	1,536	( 73,083)
Increase (Decrease) in				
Accounts Payable	2,983	3,281	( 18,769)	( 12,505)
Accrued Expenses				
School Tax	( 824)	0	( 867)	( 1,691)
Sales Tax	( 44)	( 15)	( 3,267)	( 3,326)
Vacation Accrual	188	16	3,599	3,803
Meter Deposits	13,620	0	919	14,539
Due to Other Funds	( 22,500)	0	( 25,000)	( 47,500)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>212,645</u></b>	<b><u>54,395</u></b>	<b><u>(212,226)</u></b>	<b><u>54,814</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION**

The City of Edmonton was chartered in 1860. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police fire, and E911 dispatching); highways and streets; water, sewer, and natural gas utilities and public improvements; planning and zoning, parks and recreation, and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statements No. 14 and No. 39 of the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The entity that has been included as a discretely presented component unit in the City's financial statements is as follows:

***Edmonton-Metcalf Industrial Development Authority*** - accounts for revenues and expenditures of industrial development activities.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONCLUDED**

**Fund Financial Statements**

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States as applicable to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements, in which case GASB prevails.

Beginning July 1, 2003, the City changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. As part of the implementation of GASB Statement No. 34, the City is encouraged, but not required, to report major general infrastructure assets retroactively. Thus, the historical cost of infrastructure assets prior to July 1, 2003, is not included as part of the governmental capital assets reported in the government-wide financial statements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of the City's component unit also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, franchise taxes (fees), and intergovernmental revenues. In general, other revenues are recognized when cash is received. See Note 3 for related information.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation



**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - CONCLUDED**

of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. See Note 3 for information describing restricted assets.

**FUND TYPES AND MAJOR FUNDS**

**Governmental Funds**

The City reports the following major governmental funds:

**General Fund** – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following non-major governmental funds:

**Municipal Road Aid Fund** – accounts for the revenues and expenditures of Kentucky gas tax refunds.

**LGEA Fund** – accounts for the revenues and expenditures for mineral severance tax.

**HOME Project Funds** – accounts for the revenues and expenditures of HOME project sales.

**Proprietary Funds**

The City reports the following major enterprise funds:

**Water Fund** – accounts for the operating activities of the City's water utilities services.

**Sewer Fund** – accounts for the operating activities of the City's sewer utilities services.

**Natural Gas Fund** – accounts for the operating activities of the City's natural gas utilities services.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Cash and Investments**

The City's cash consists of cash on hand and demand deposits. It is the policy of the City of Edmonton to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City of Edmonton and conforming to all state statutes and the City of Edmonton regulations governing the investment of public funds. Additional cash and investment information is presented in Note 3.

**Capital Assets and Depreciation**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - CONCLUDED**

**Capital Assets and Depreciation - Concluded**

costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized, but are expensed as incurred.

Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is reported in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Infrastructure	25-50
Improvements, other than Buildings	20-25
Equipment and Furnishings	5-10
Vehicles	3-10

For information describing capital assets, see Note 3.

**Long-Term Debt**

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts, or premiums, and the difference between the requisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Additional information regarding long-term debt is shown in Note 3.

**Fund Equity**

The governmental fund financial statements report a reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

**REVENUES, EXPENDITURES, AND EXPENSES**

**Property Taxes**

Property taxes are recognized as revenue to the extent they are both measurable and available.

**Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and a liability in the respective funds.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

**REVENUES, EXPENDITURES, AND EXPENSES - CONCLUDED**

**Compensated Absences - Concluded**

Unpaid accumulated sick leave is not recorded due to the contingent nature of the liability. The amount is earned, but only to be taken subject to the employee's illness. No amount is due upon termination. The accumulated potential amount is \$118,318 at June 30, 2008.

**ECONOMIC DEPENDENCY**

The City of Edmonton, Kentucky, purchases its natural gas from Atmos Energy and purchases its water from the City of Glasgow, Kentucky. Due to the nature of the infrastructure system, the City of Edmonton, Kentucky, is economically dependent on these two suppliers. The infrastructure system of the City's enterprise funds serves residents of Edmonton and Metcalfe County.

**USE OF ESTIMATES**

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

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**BUDGETARY INFORMATION**

**Budget Policy and Practice**

The Mayor submits an annual budget to the City Council in accordance with the City Charter and Kentucky Revised Statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

**Basis of Budgeting**

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Total expenditures for a fund may not legally exceed the total appropriations. There were no revisions to the budget during the year ended June 30, 2008. Annual budgets for all governmental fund types were adopted on a basis consistent with accounting principles generally accepted in the United States.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT**

**ASSETS**

**CASH DEPOSITS AND INVESTMENTS**

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures*, which is effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements (under the provisions of GASB Statement No. 3) focused only on custodial credit risk. GASB Statement No. 40 addresses not only custodial credit risk, but other common areas of investment risk as well, including interest rate risk, credit risk, and concentration of credit risk.

**Custodial Credit Risk**

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The City's investment policy dictates that all cash maintained in any financial institution named as a depository be collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third-party custodian.

At June 30, 2008, City of Edmonton, Kentucky's (book) deposits were \$3,025,774, and the bank balance was \$3,074,205 at Edmonton State Bank. The FDIC insures demand deposits under one custodian up to \$100,000 at one institution, and time deposits are insured for another \$100,000. Bond interest and sinking fund accounts are insured up to \$100,000 per beneficial interest. At June 30, 2008, the City had funds of \$2,774,205 in excess of FDIC limits, which were collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City.

The Edmonton-Metcalf Industrial Development Authority has a bank account balance of \$13,612 and certificates of deposits totaling \$51,085. These amounts do not exceed FDIC insurance limits and are held for an entity separate from the City of Edmonton.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The City's formal investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than two years from the date of purchase. However, the City may collateralize its repurchase agreements using longer dated investments in securities exceeding five years to maturity. Reserve funds may be invested in securities exceeding five years, if maturities of the investments are made to coincide as nearly as practicable with the expected use of the funds.

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard outlined in the City's investment policy to ensure that (a) due diligence is exercised in accordance with State law,

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONTINUED**

**CASH DEPOSITS AND INVESTMENTS - CONTINUED**

**Credit Risk - Concluded**

(b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

**Concentration of Credit Risk**

The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the City's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

The funds of the City of Edmonton available for investment shall be invested in accordance with the City's investment policy and all applicable state statutes only in the following types of investment instruments:

1. Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine Bonds.
3. Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority.
4. Certificates of deposit issued by, or other interest-bearing accounts of, any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONTINUED**

**CASH DEPOSITS AND INVESTMENTS – CONTINUED**

5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
9. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
  - a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - b. The management company of the investment company shall have been in operation for at least five years.
  - c. All of the securities in the mutual fund shall be eligible investments under this section.

Maturity Date	Interest Rate	Cost	Fair Value 6-30-08
----	Variable	171,965	171,965
----	Variable	50,982	50,982
----	Variable	578,339	578,339
----	2.60%	193,586	193,586
----	Variable	24,082	24,082
----	Variable	32,170	32,170
----	----	4,655	4,655
----	----	41,583	41,583
		<u>1,097,362</u>	<u>1,097,362</u>
----	----	<u>100</u>	<u>100</u>
----	Variable	<u>6,773</u>	<u>6,773</u>
----	----	<u>75</u>	<u>75</u>
----	Variable	322,275	322,275
----	Variable	32,719	32,719
----	----	297	297
11-25-08	Variable	101,689	101,689
----	4.60%	278,174	278,174
----	----	1,247	1,247
----	Variable	235,615	235,615
----	Variable	241,181	241,181
----	----	679	679
----	Variable	31,071	31,071
----	Variable	22,308	22,308
----	Variable	39,745	39,745
		<u>1,307,000</u>	<u>1,307,000</u>
----	Variable	329,250	329,250
2-07-09	Variable	31,373	31,373
----	4.60%	344,867	344,867
----	----	49,781	49,781
----	----	8	8
----	----	5,589	5,589
		<u>760,868</u>	<u>760,868</u>
----	Variable	36,628	36,628
----	Variable	4,728	4,728
----	Variable	4,331	4,331
----	Variable	1,500	1,500
		<u>47,187</u>	<u>47,187</u>
3-01-09	Variable	13,612	13,612
	4.10%	51,085	51,085
		<u>64,697</u>	<u>64,697</u>
		<u>3,284,062</u>	<u>3,284,062</u>

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONTINUED**

**CASH DEPOSITS AND INVESTMENTS – CONCLUDED**

At June 30, 2008, the City had investments of \$193,586 in the Kentucky League of Cities Investment Pool Plus, which is a 2a7-like external investment pool. An external investment pool is an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. This investment pool is sponsored by the Kentucky League of Cities, with the investment portfolio being maintained by Provident Bank. A 2a7-like external investment pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The investment position in a 2a7-like pool is determined by the pool's share price. The fair value of the City's position in the pool is the same as the value of their pool shares.

For purposes of the cash flow statement, cash consists of all enterprise fund bank accounts excluding restricted assets.

**RECEIVABLES**

**General Fund**

**Property Taxes** – The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by the Metcalfe County Property Valuation Administrator as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Metcalfe County, and the annual increase in the property tax levy cannot exceed 4%. For the year ended June 30, 2008, taxes were levied on November 1, 2007, and due and payable on February 28, 2008. A 2% discount is given if paid by January 31. A penalty of 10% is charged for the month of March and 10% each month thereafter until they are paid. The tax rates are set by ordinance each year and were .750 per \$100 of assessed valuation of real property and .750 per \$100 of assessed valuation of personal property. Liens are placed on property for delinquent taxes. All property taxes receivable at June 30 are considered delinquent. As of June 30, 2008, the receivable for property taxes was \$3,272.

**Enterprise Fund Receivables and Uncollectible Accounts**

Significant receivables include amounts due from customers, primarily for utility services. Certain enterprise funds reports accounts receivable, net of allowance for uncollectible accounts. The allowance is estimated using an amount equal to all inactive accounts.



**CITY OF EDMONTON, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONTINUED**

**RECEIVABLES - CONCLUDED**

**Enterprise Fund Receivables and Uncollectible Accounts - Concluded**

Following is a summary of the accounts receivable and allowances for uncollectible accounts as of June 30, 2008:

	<b>Water</b>	<b>Natural Gas</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>
Accounts Receivable	236,355	346,654	43,235	626,244
Allowance for Uncollectibles	<u>53,133</u>	<u>47,060</u>	<u>10,900</u>	<u>111,093</u>
Accounts Receivable, Net	<b><u>183,222</u></b>	<b><u>299,594</u></b>	<b><u>32,335</u></b>	<b><u>515,151</u></b>

**RESTRICTED ASSETS**

Certain fund assets are restricted for construction funded through long-term debt. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service or revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses, such as the payment of debt service and fiscal fees on long-term debt or mortgage loans. See Note 1 describing priority for use of restricted and unrestricted assets.

**CAPITAL ASSETS**

Depreciation is recorded on all of the capital assets except for land, which is not a depreciable asset. Governmental activities include construction funded with general obligation bonds and debts. Business-type activities include construction funded with revenue bonds payable and other charges. On the following page is a summary of changes in capital assets.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONTINUED**

**CAPITAL ASSETS - CONCLUDED**

	<b>Balance 6-30-07</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6-30-08</b>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Land	1,718,129	---	---	1,718,129
Land Improvements	7,700	---	---	7,700
Buildings and Improvements	1,328,717	---	---	1,328,717
Equipment and Furnishings	276,510	---	---	276,510
Vehicles	668,196	---	---	668,196
Streets and Sidewalks	287,979	---	---	287,979
Municipal Park	829,947	53,113	---	883,060
	<u>5,117,178</u>	<u>53,113</u>	<u>---</u>	<u>5,170,291</u>
<b>Less Accumulated Depreciation</b>	<u>1,163,169</u>	<u>160,965</u>	<u>---</u>	<u>1,324,134</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>3,954,009</b></u>	<u><b>(107,852)</b></u>	<u><b>0</b></u>	<u><b>3,846,157</b></u>
<b>Business-type Activities</b>				
Land	15,863	---	---	15,863
Buildings and Plant	2,907,029	6,900	---	2,913,929
Equipment	12,353,898	641,306	62,681	12,932,523
	<u>15,276,790</u>	<u>648,206</u>	<u>62,681</u>	<u>15,862,315</u>
<b>Less Accumulated Depreciation</b>	<u>5,162,502</u>	<u>366,032</u>	<u>59,873</u>	<u>5,468,661</u>
<b>Business-type Activities Capital Assets, Net</b>	<u><b>10,114,288</b></u>	<u><b>282,174</b></u>	<u><b>2,808</b></u>	<u><b>10,393,654</b></u>
<b>COMPONENT UNIT</b>				
<b>Industrial Development</b>				
Land	219,097	---	---	219,097
Buildings	179,510	39,831	---	219,341
Electrical Transmission Line	1,136,992	419,667	---	1,556,659
	<u>1,535,599</u>	<u>459,498</u>	<u>0</u>	<u>1,995,097</u>
<b>Less Accumulated Depreciation</b>	<u>83,691</u>	<u>30,542</u>	<u>---</u>	<u>114,233</u>
<b>Industrial Development Capital Assets, Net</b>	<u><b>1,451,908</b></u>	<u><b>428,956</b></u>	<u><b>0</b></u>	<u><b>1,880,864</b></u>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**ASSETS - CONCLUDED**

**DEPRECIATION EXPENSE**

Depreciation expense was charged to governmental functions as follows:

<b>PRIMARY GOVERNMENT</b>	
<b>Governmental Activities</b>	
Administration	54,521
Public Safety	
Police	29,879
Fire	0
E911	383
Streets	14,418
Parks and Recreation	<u>61,764</u>
<b>Total Depreciation Expense – Governmental Activities</b>	<b><u>160,965</u></b>
<b>Business-type Activities</b>	
Water	246,166
Sewer	32,413
Natural Gas	<u>87,453</u>
<b>Total Depreciation Expense – Business-type Activities</b>	<b><u>366,032</u></b>
<b>TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT</b>	<b><u>526,997</u></b>
<b>COMPONENT UNIT</b>	
Industrial Development	<u>30,542</u>

**LIABILITIES**

**CAPITAL LEASES - GOVERNMENTAL ACTIVITIES**

**Lease Obligation**

On October 10, 2002, the City entered into an annually renewable lease agreement with the Kentucky Area Development District Financing Trust. The total amount of the lease was \$430,000 payable in annual principal installments beginning November 20, 2003, and semi-annual interest payments due May 20 and November 20. The lease bears interest at a variable rate ranging from 2.9% to 4.8% and matures November 20, 2022. The proceeds were used to construct a new City Hall building. At the end of the lease, the building will be transferred to the City of Edmonton. The balance of the lease at June 30, 2008, was \$355,000.

On May 15, 2005, the City entered into an annually renewable lease agreement with Musco Sports Lighting, LLC. The total amount of the lease was \$414,500 payable in annual principal and interest installments beginning May 15, 2006. The lease bears interest at 5.538%. The proceeds were used to construct lighting at the municipal park. At the end of the lease, the lights will transfer to the City of Edmonton. The lease term is for ten years. The balance of the lease at June 30, 2008, was \$312,654.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**CAPITAL LEASES - GOVERNMENTAL ACTIVITIES - CONCLUDED**

**General Obligation Lease**

On November 23, 2003, the City entered into an annually renewable lease agreement with the Kentucky League of Cities Funding Trust. The total amount of the lease was \$1,345,000 payable in monthly principal and interest installments beginning January 15, 2004, and ending December 15, 2023. The lease bears interest at 4.07%. The proceeds were used to construct a municipal park. At the end of the lease agreement, the park will be transferred to the City of Edmonton. The balance of the lease at June 30, 2008, was \$1,146,873.

On January 26, 2006, the City entered into an annually renewable lease agreement with the Kentucky League of Cities Funding Trust. The total amount of the lease was \$140,000 payable in monthly principal and interest installments beginning March 1, 2006. The lease bears interest at 3.96%. The term of the lease is for five years. The proceeds were used to purchase seven new police cruisers. At the end of the lease agreement, the vehicles will be transferred to the City of Edmonton. The balance of the lease at June 30, 2008, was \$79,065.

**Special Obligation Lease**

On November 23, 2003, the City entered into an annually renewable lease agreement with the Kentucky League of Cities Funding Trust. The total amount of the lease was \$155,000 payable in monthly principal and interest installments beginning January 15, 2004, and ending December 15, 2023. The lease bears interest at 4.07%. The proceeds were used to construct a municipal park. At the end of the lease agreement, the park will be transferred to the City of Edmonton. The balance of the lease at June 30, 2008, was \$132,168.

**GENERAL OBLIGATION BOND – GOVERNMENTAL ACTIVITIES**

**2000 Issue**

The general obligation bond of 2000 was issued to Rural Development on November 15, 2000, in the amount of \$370,000. The proceeds from this bond issue were used to purchase a fire truck. This bond matures each January 1 beginning in 2002 and ending in 2015. The bond bears interest at the rate of 5-1/8%. As of June 30, 2008, \$217,000 was outstanding.

**Bond Sinking Fund Requirements**

The 2000 bond issue requires monthly transfers to a separate account in order to meet annual and semi-annual bond payments. The required monthly transfers from the general fund account shall continue in amounts equal to one-twelfth (1/12<sup>th</sup>) of the annual interest requirement plus one-twelfth (1/12<sup>th</sup>) of the annual principal requirement. The required transfers were sufficient for the year ended June 30, 2007. Listed on the following page is a five-year schedule of sinking fund requirements for the general fund.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**GENERAL OBLIGATION BOND - GOVERNMENTAL ACTIVITIES - CONCLUDED**

**Bond Sinking Fund Requirements - Concluded**

	<b>Interest</b>	<b>Principal</b>	<b>Annual Requirement</b>
June 30, 2009	11,121	26,500	37,621
June 30, 2010	9,763	28,000	37,763
June 30, 2011	8,328	29,500	37,828
June 30, 2012	6,816	31,000	37,816
June 30, 2013	<u>5,228</u>	<u>32,500</u>	<u>37,728</u>
	<b><u>41,256</u></b>	<b><u>147,500</u></b>	<b><u>188,756</u></b>

**Depreciation Fund**

There shall be maintained so long as the 2000 bonds remain outstanding, a separate depreciation fund. The required monthly transfer from the general fund to the depreciation fund is in the amount of \$316.66, until there is established and maintained in said depreciation fund the sum of \$38,000. As of June 30, 2008, the depreciation fund balance was \$32,170. Monthly transfers were completed as required.

**LOANS PAYABLE - BUSINESS-TYPE ACTIVITIES**

**Kentucky Infrastructure Authority**

A loan is payable to the Kentucky Infrastructure Authority (KIA), proceeds of which were used to finance improvements and extensions to the Water and Gas Systems of the City. The loan balance as of June 30, 2008 was \$90,000. The Kentucky Infrastructure Authority restructured the loan on January 1, 2003, including the principal payments and decreasing interest payments as described in the supplemental assistance agreement. The restructuring of the debt terms resulted in a current refunding of \$10,957, which is being amortized over 102 months. The amortization for the year ended June 30, 2008, was \$1,289. The interest rate is variable with rates between 2.5% and 4.561% per annum. A debt service reserve is maintained by the KIA until all loans of the pool are repaid. The reserve at June 30, 2004, was \$110,719 and is included in "Restricted Assets – Kentucky Infrastructure Authority". Then on August 1, 2004, the loan was reorganized again. The Kentucky Infrastructure Authority applied the debt service reserve amount to the loan and reduced the balance to \$190,000 to bear interest at a rate of 2.25% to 4.84%. The loan is now payable in monthly installments of principal, interest, and service fees due the first of each month through June 1, 2011. This restructure resulted in a current refunding of \$4,492, which is being amortized over eighty-one months. The amortization for the year ended June 30, 2008, was \$665.

**Kentucky League of Cities**

There is a loan payable to Kentucky League of Cities. Proceeds from the loans are being used to finance extensions to the gas system of the City. The loan balance was \$640,000 as of June 30, 2007. The interest is 4.18% per annum and is payable in semi-annual installments of principal and interest through December 15, 2018.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES**

Revenue bonds outstanding consist of debt issued by the various utility funds. In general, the respective facilities and revenues derived from them are pledged for the payment of revenue bond debt service.

**1980, 1982, and 1984 Issues**

The following issues have been assigned to Capmark Commercial Mortgage Corporation by Farmers Home Administration in prior years. These bonds mature each January 1 through 2031 and bear interest at the rate of 5%, with the following amounts due as of June 30, 2008:

1980 Issue	46,500
1982 Issue - Series A	94,000
1982 Issue - Series B	71,000
1982 Issue - Series C	37,500
1984 Issue	423,943

**1990 Issue**

The water and sewer revenue bond of 1990 was issued to FmHA -- now Rural Development (RD) -- on September 17, 1992, in the amount of \$373,000. This bond matures each January 1 through 2031 and bears interest at the rate of 5%, with \$297,000 due as of June 30, 2008.

**1993 Issue**

The water and sewer revenue bond of 1993 was issued to RD on August 12, 1993, in the amount of \$331,000. The proceeds from this bond issue were used to retire interim financing provided by the Kentucky Infrastructure Authority. This bond matures each January 1 beginning in 1996 and ending in 2033. The bond bears interest at the rate of 5%, with \$276,000 due as of June 30, 2008.

**1995 Issue**

The water and sewer revenue bond of 1995 was issued to RD on April 25, 1996, in the amount of \$444,000. The proceeds from this bond issue were used to retire interim financing provided for water line extension projects. This bond matures each January 1 beginning in 1998 and ending in 2035. The bond bears interest at the rate of 4.5%, with \$385,000 due as of June 30, 2008.

**1996 Issue**

The water and sewer revenue bond of 1996 was issued to RD on June 23, 1997, in the amount of \$221,000. The proceeds from this bond issue were used to retire interim financing provided for water line extension projects. This bond matures each January 1 beginning in 1998 and ending in 2035. The bond bears interest at the rate of 4.5%, with \$189,200 due as of June 30, 2008.

**2000 Issue**

The water and sewer revenue bond series of 2000 was issued to RD on August 9, 2000, in the amount of \$114,000. The proceeds from this bond issue were used for sewer infrastructure expansion. This bond matures each January 1 beginning in 2002 and ending in 2039. The bond bears interest at the rate of 4.5%, with \$104,200 due as of June 30, 2008.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED**

**2002 Issue**

The water revenue bond series of 2002 was issued to RD on March 20, 2003, in the amount of \$814,000. The proceeds were used to retire interim financing provided for water line extension projects. The bond matures each January 1 beginning in 2005 and ending in 2042. The bond bears interest at the rate of 4.5%, with \$778,000 due as of June 30, 2008.

There were heretofore created in the prior bond ordinance the following funds and accounts for the City of Edmonton:

- a) Water and Sewer Revenue Fund
- b) 1980 Sinking Fund
- c) 1990 Sinking Fund
- d) Water and Sewer Depreciation Fund
- e) Water and Sewer Operation and Maintenance Fund

All of the funds shall be maintained with the depository bank so long as any bonds remain outstanding.

All proceedings preliminary to and in connection with the issuance of the outstanding bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the outstanding bonds; (ii) the operation of the system on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the system; (iv) the enforcement and payment of the outstanding bonds and (v) the depreciation of the system; and all other covenants for the benefit of bond owners set out in the prior bond ordinance, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the outstanding bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the current bonds, the income and revenues of the system shall be collected, segregated, accounted for and distributed are listed as follows:

**Revenue Fund**

The City covenants and agrees that it will continue to deposit in the revenue fund, promptly as received from time to time, all revenues of the system, as same may be extended and improved from time to time. The moneys in the revenue fund shall continue to be used, disbursed and applied by the City only for the purpose and in the manner and order of priorities specified in the prior bond ordinance, as hereinafter modified by this ordinance, all as permitted by the act, and in accordance with previous contractual commitments.

**First Lien Sinking Fund (1980 Sinking Fund)**

There shall be transferred from the revenue fund and deposited into the first lien sinking fund on or before the 1st day of each month, for payment of interest on and principal of the series 1980 bonds, a monthly amount equal to the total of the following:

1. A sum equal to one-sixth (1/6) of the interest requirements becoming due on the First Lien Bonds on the next succeeding interest due date, plus

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED**

**First Lien Sinking Fund (1980 Sinking Fund) - Concluded**

2. A sum equal to one-twelfth (1/12) of the principal becoming due on the First Lien Bonds on the next succeeding January 1.

Said first lien sinking fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the series bonds.

**Second Lien Sinking Fund (1990 Sinking Fund)**

After the monthly transfers required in the preceding paragraphs have been paid from the revenue fund, there shall next be transferred monthly from said revenue fund and deposited into the second lien sinking fund on or before the 1<sup>st</sup> day of each month, for payment of interest on and principal of the Second Lien Bonds and the Series 2002 Bonds, a sum equal to the total of the following:

1. An amount equal to one-twelfth (1/12) of the requirements becoming due on the Second Lien Bonds and the Series 2002 Bonds on the next succeeding January 1, plus
2. An amount equal to one-twelfth (1/12) of the principal requirements becoming due on the Second Lien Bonds and the Series 2002 Bonds maturing on the next succeeding January 1.

Notwithstanding any provision of any other ordinances to the contrary, upon the adoption of the 2002 ordinance, any monies on deposit in any other accounts earmarked for the payment of the principal and interest requirements of the Second Lien Bonds shall be forthwith transferred to the Second Lien Bond Fund (1990 Sinking Fund).

The second lien sinking fund is hereby pledged for the payment of the interest and the principal of the current bonds and the series 1986 bonds, but subject to the vested rights and priorities of the series 1971 bonds.

Annual Debt Service Requirement	201,708
Actual Transfers	<u>207,070</u>
Excess Transfers	5,362
Beginning Balance – Sinking Funds	<u>329,634</u>
<b>Ending Balance – Sinking Funds</b>	<b><u>334,996</u></b>

The current year required no transfers since excess transfers in previous years had aggregated a sufficient balance in the sinking fund.



**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED**

**Second Lien Sinking Fund (1990 Sinking Fund) - Concluded**

The 1986 and 1998 sinking fund requirements for the next five years are as follows:

	Interest	Principal	Annual Requirement
June 30, 2009	127,685	74,300	201,985
June 30, 2010	124,074	77,600	201,674
June 30, 2011	121,245	81,300	202,545
June 30, 2012	116,359	86,600	202,959
June 30, 2013	<u>112,153</u>	<u>92,400</u>	<u>204,553</u>
	<b><u>601,516</u></b>	<b><u>412,200</u></b>	<b><u>1,013,716</u></b>

So long as any balance remains outstanding and unpaid on the long-term loans to the City from the Kentucky Infrastructure Authority in accordance with the Grant/Assistance Agreements between KIA and the City, the City shall maintain a separate account to provide for the amortization of said loans in accordance with said Grant/Assistance Agreements (the "KIA Loan Account").

Following the required deposits of this Ordinance, monthly transfers shall be made from the Revenue Fund to the KIA Loan Account in the required amounts prior to the transfers for Depreciation Fund and Operations and Maintenance Fund.

If in any year the City shall, for any reason, fail to pay into said First Lien Bond Fund, Second Lien Bond Fund or the KIA Loan Account the full amounts stipulated, then an amount equivalent to one hundred ten percent (110%) of such deficiency shall be set apart and paid into said Funds from the first available income and revenues of the System in the following year or years, and said payments shall be in addition to the amount otherwise herein provided for said succeeding year or years.

Monies on deposit in said Funds may be invested in direct obligations or guaranteed bonds or securities of the United States of America having a maturity date or being subject to redemption at the option of the holder not more than five (5) years from the date of the investment therein, and all such investments, as well as income therefrom, shall be carried to the credit of the respective Fund from which the investment was made; provided, however, that all investments shall be made on such a basis so that monies will be available for the purposes for which the respective Fund was established at the times required.

**Depreciation Fund**

The separate and special "Depreciation Fund" previously established shall be maintained so long as any of the First Lien Bonds, Second Lien Bonds and Series 2002 Bonds remain outstanding. There shall continue to be transferred to the Depreciation Fund (i) eight percent (8%) of the balance of the income and revenues of the System remaining after the required transfers or the sum of \$200 whichever is greater, plus (ii) the sum of \$1,145 until there is established and

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED**

**Depreciation Fund - Concluded**

maintained in said Depreciation Fund the sum of \$242,800, which shall be utilized in making good any depreciation in the properties of said System and in the properties of said System and in financing extensions, additions or improvements to the System. Notwithstanding any other provisions of this Section to the contrary, the sum of not less than \$380 shall be deposited monthly so long as the Series 2002 Bonds remain outstanding. As of June 30, 2008, the depreciation fund had not reached the maximum required balances; however, the other reserve accounts are sufficient to cover the required cost. The current depreciation reserve account had a balance of \$241,181 as of June 30, 2008, and the City was continuing to make the required transfers.

There shall also be deposited in the Depreciation Fund proceeds from the sale of any equipment no longer usable or needed, fees or charges, if any, collected from potential customers, and the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property. Monies in the Depreciation Fund shall be used for making extraordinary maintenance, repairs, renewals or replacements to the System and for paying the cost of constructing improvements or extensions to the System which will either enhance the revenue producing capacity of the System or provide a higher degree of service, and no withdrawals shall be made for any other purposes; provided, however, that monies on deposit in the Depreciation Fund shall be available for the principal and interest requirements on the First Lien Bonds, the Second Lien Bonds and the Series 2002 Bonds, if, for any reason, and whenever sufficient funds are not available in the First Lien Bond Fund or Second Lien Bond Fund.

**Operation and Maintenance Fund**

The separate and special account designated as the "Operation and Maintenance Fund" previously established shall be maintained so long as the First Lien Bonds, the Second Lien Bonds and the Series 2002 Bonds remain outstanding. There shall be continued to be transferred to the Operation and Maintenance Fund the balance of the Revenue Fund remaining after the required transfers hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses and establishing and maintaining a reserve equal to three (3) months' operation and maintenance expenses of such System. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and said reserve established. Any funds remaining in such Operation and Maintenance Fund after meeting the expenses of operating such System shall be transferred to the Revenue Fund and disbursed in accordance with the provisions.

All required transfers above shall be made on the 1<sup>st</sup> day of each month unless such day be Sunday or a legal holiday, in which event such transfers shall be made on the next succeeding secular day.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED**

**Investment and Miscellaneous Provisions**

All funds referred to above are to be deposited with a bank or banks which is a member or are members of the Federal Deposit Insurance Corporation and, to the extent the aggregate deposits of the City in such bank or banks exceed FDIC coverage, shall be secured by a pledge of obligations of or obligations which are fully guaranteed by the United States Government having a market value equal to the amount of such excess.

All funds referred to above may be invested in direct obligations of, or obligations which are fully guaranteed by, the United States Government with such maturities so that monies shall be available in the respective Funds for the purposes for which same are established.

The City covenants to the purchasers of the Series 2002 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2002 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2002 Bonds, would have caused such Series 2002 Bonds to be arbitrage bonds. Such covenant shall impose an obligation upon the City to comply with the requirements of the Code and throughout the term of the issue herein authorized. The word "proceeds," as used in such covenant, shall have the meaning which it has under such section of the law and under such Code and shall include all monies on deposit in all funds provided for under the Ordinance. The City hereby designates the Series 2002 Bonds as "qualified tax exempt obligations" and certifies that it does not reasonably anticipate the issuance of in excess of \$10,000,000 of its debt obligations in the calendar year in which the Series 2002 Bonds are delivered.

The City Treasurer shall be responsible for all of the various special funds established by this Ordinance and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Ordinance.

**Monthly Principal and Interest Payments if Requested by the RD**

In the event that USDARD is the Registered Owner of the Series 2002 Bonds, then in the event USDARD so desires, payments to USDARD from the Second Lien Bond Fund for interest and principal installments on the Second Lien Bonds and Series 2002 Bonds shall be made directly to USDARD on a monthly basis. The City shall submit the Electronic Funds Transfer Payment Enrollment Form (Form SF-3881) in order to affect Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") and provide electronic transfer payments due on the Series 2002 Bond. It is provided further that so long as USDARD is the Registered Owner of the Series 2002 Bonds, monies on deposit in all of the various accounts established or affirmed by this Ordinance shall be secured as required by USDARD Regulations.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONCLUDED**

**Bond Subordination and Parity**

The provisions of the Ordinance authorizing the First Lien Series A, B, and C 1982 Bonds made it a condition precedent to the issuance and delivery of said Series 1982 Bonds that the right of the City to issue subsequent bonds ranking on a parity with said Series 1982 Bonds be terminated. Therefore, in accordance with provisions of Section 17 of the Ordinance authorizing the Series 1982 Bonds, no bonds may be issued on the basis of parity with the Second Lien Bonds without the written consent of the Registered Owners of one hundred percent (100%) of the principal amount of said Second Lien Bonds.

**LOAN PAYABLE - COMPONENT UNIT**

**Industrial Program**

This loan is payable to Edmonton State Bank. Proceeds were used for land purchased for industrial sites. The loan bears interest at 8% per annum and is payable semi-annually, with final maturity on August 16, 2009. The balance of the loan at June 30, 2008, was \$25,000.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	<b>Balance 6-30-07</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance 6-30-08</b>	<b>Due Within One Year</b>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
<b>General Obligation Leases</b>					
City Hall	370,000	---	15,000	355,000	20,000
Park Lighting	348,448	---	35,794	312,654	37,776
Municipal Park	1,194,804	---	47,931	1,146,873	50,372
Police Cruisers	105,856	---	26,791	79,065	27,819
<b>Special Obligation Lease - Park</b>	<b>137,691</b>	<b>---</b>	<b>5,523</b>	<b>132,168</b>	<b>5,805</b>
	<b><u>2,156,799</u></b>	<b><u>0</u></b>	<b><u>131,039</u></b>	<b><u>2,025,760</u></b>	<b><u>141,772</u></b>
<b>General Obligation Bond</b>	<b>242,500</b>	<b>---</b>	<b>25,500</b>	<b>217,000</b>	<b>26,500</b>
<b>Total Governmental Activities</b>	<b><u>2,399,299</u></b>	<b><u>0</u></b>	<b><u>156,539</u></b>	<b><u>2,242,760</u></b>	<b><u>168,272</u></b>
<b>Business-type Activities</b>					
<b>Loans Payable</b>					
KIA	30,000	---	30,000	0	0
KIA	115,000	---	25,000	90,000	30,000
KLC	680,000	---	40,000	640,000	50,000
	<b><u>825,000</u></b>	<b><u>0</u></b>	<b><u>95,000</u></b>	<b><u>730,000</u></b>	<b><u>80,000</u></b>
<b>Revenue Bonds Payable</b>					
1980 Issue	49,000	---	2,500	46,500	3,000
1982 Issue - Series A	99,000	---	5,000	94,000	5,500
1982 Issue - Series B	83,000	---	12,000	71,000	13,000
1982 Issue - Series C	40,500	---	3,000	37,500	3,500
1984 Issue	435,943	---	12,000	423,943	14,000
1990 Issue	304,000	---	7,000	297,000	7,000
1993 Issue	282,000	---	6,000	276,000	6,000
1995 Issue	392,000	---	7,000	385,000	7,000
1996 Issue	192,800	---	3,600	189,200	3,700
2000 Issue	106,100	---	1,500	104,600	1,600
2002 Issue	788,000	---	10,000	778,000	10,000
	<b><u>2,772,343</u></b>	<b><u>0</u></b>	<b><u>69,600</u></b>	<b><u>2,702,743</u></b>	<b><u>74,300</u></b>
<b>Total Business-type Activities</b>	<b><u>3,597,343</u></b>	<b><u>0</u></b>	<b><u>164,600</u></b>	<b><u>3,432,743</u></b>	<b><u>154,300</u></b>
<b>COMPONENT UNIT</b>					
<b>Industrial Program</b>					
Edmonton State Bank	30,000	0	5,000	25,000	25,000

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONTINUED**

**DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2008, were as follows:

<b>PRIMARY GOVERNMENT</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>Governmental Activities</b>			
<b>Capital Leases</b>			
June 30, 2009	141,772	95,859	237,631
June 30, 2010	147,777	89,261	237,038
June 30, 2011	146,474	82,274	228,748
June 30, 2012	129,608	76,056	205,664
June 30, 2013	135,388	69,133	204,521
June 30, 2014 - 2018	640,298	251,017	891,315
June 30, 2019 - 2023	626,014	91,008	717,022
June 30, 2024	58,429	1,129	59,558
	<b><u>2,025,760</u></b>	<b><u>755,737</u></b>	<b><u>2,781,497</u></b>
<b>General Obligation Bond</b>			
June 30, 2009	26,500	11,121	37,621
June 30, 2010	28,000	9,763	37,763
June 30, 2011	29,500	8,328	37,828
June 30, 2012	31,000	6,816	37,816
June 30, 2013	32,500	5,228	37,728
June 30, 2014 - 2015	69,500	5,381	74,881
	<b><u>217,000</u></b>	<b><u>46,637</u></b>	<b><u>263,637</u></b>
<b>Total Governmental Activities</b>	<b><u>2,242,760</u></b>	<b><u>802,374</u></b>	<b><u>3,045,134</u></b>
<b>Business-type Activities</b>			
<b>Loans Payable</b>			
June 30, 2009	80,000	30,367	110,367
June 30, 2010	80,000	26,974	106,974
June 30, 2011	80,000	29,474	109,474
June 30, 2012	55,000	25,335	80,335
June 30, 2013	60,000	22,285	82,285
June 30, 2014 - 2018	335,000	46,314	381,314
June 30, 2019	40,000	836	40,836
	<b><u>730,000</u></b>	<b><u>181,585</u></b>	<b><u>911,585</u></b>
<b>Revenue Bonds Payable</b>			
June 30, 2009	74,300	127,804	202,104
June 30, 2010	77,600	124,201	201,801
June 30, 2011	81,300	120,437	201,737
June 30, 2012	86,600	116,497	203,097
June 30, 2013	92,400	106,056	198,456
June 30, 2014 - 2018	440,400	499,122	939,522
June 30, 2019 - 2023	511,300	383,235	894,535
June 30, 2024 - 2028	456,443	262,163	718,606
June 30, 2029 - 2033	451,500	157,341	608,841
June 30, 2034 - 2038	264,700	79,167	343,867
June 30, 2039 - 2042	166,200	18,365	184,565
	<b><u>2,702,743</u></b>	<b><u>1,994,388</u></b>	<b><u>4,697,131</u></b>
<b>Total Business-type Activities</b>	<b><u>3,432,743</u></b>	<b><u>2,175,973</u></b>	<b><u>5,608,716</u></b>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED**

**LIABILITIES - CONCLUDED**

**DEBT SERVICE REQUIREMENTS - CONCLUDED**

<b>COMPONENT UNIT</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>Industrial Program</b>			
June 30, 2009	5,000	2,250	7,250
June 30, 2010	<u>20,000</u>	<u>1,800</u>	<u>21,800</u>
<b>Total Component Unit</b>	<b><u>25,000</u></b>	<b><u>4,050</u></b>	<b><u>29,050</u></b>

**RISK MANAGEMENT**

The City is exposed to various forms of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees, and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City purchases unemployment insurance through the Kentucky League of Cities; however, risk has not been transferred to that fund. Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a loss contingency. Claims expenditures and liabilities would be reported in the affected fund if and when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

**BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY**

**RECEIVABLES AND PAYABLES**

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds".

Activities in which the component unit is a party are captioned as "receivables/payables" between the component unit and the primary government.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONCLUDED**

**BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - CONCLUDED**

**INTERNAL RECEIVABLES AND PAYABLES**

Internal receivable and payable balances at June 30, 2008, are as follows:

	<b>Internal Receivables</b>	<b>Internal Payables</b>
<b>PRIMARY GOVERNMENT</b>		
<b>Governmental-type Activities</b>		
General Fund	1,271,600	0
<b>Business-type Activities</b>		
Water	239,679	1,124,524
Natural Gas	117,941	265,017
Sewer	0	239,679
	<u><b>1,629,220</b></u>	<u><b>1,629,220</b></u>

**TRANSFERS AND PAYMENTS**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions and funding capital asset acquisitions. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers as reported within the governmental activities column.

There were no transfers within the reporting entity. The following schedule reports payments within the reporting entity:

<b>Payments From PRIMARY GOVERNMENT</b>	<b>Payments To Component Unit - Industrial Program</b>
<b>Governmental Activities</b>	
Major Governmental Fund	
General Fund	<u><b>7,129</b></u>
	<b>Enterprise Fund - Water Fund</b>
Major Governmental Fund	
General Fund	<u><b>128</b></u>



**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2008**

**4. RETIREMENT PLAN COMMITMENTS**

**Defined Benefit Pension Plan  
County Employees' Retirement System**

The City of Edmonton, Kentucky, is a participant in the County Employees' Retirement System (CERS), a multiple-employer public employee retirement system. CERS is administered by Kentucky Retirement Systems Board of Trustees pursuant to KRS 78.510-78.852. All full-time City employees are eligible to be in the Plan. The Plan provides for retirement, disability, and death benefits. The payroll for employees covered by CERS for the year ended June 30, 2008, was \$913,477; the City's total payroll was \$943,686. For the year ended June 30, 2008, the total pension expense for the City was \$195,623.

Employees who have attained age sixty-five and have acquired at least four years of credit service, of which one year must be current service, are eligible for an annual retirement benefit, payable monthly for life. The benefit is computed by the number of years of service multiplied by 2.2%, then multiplied by the average annual salary during the member's five highest paid fiscal years. Benefits fully vest upon reaching five years of credited service, one of which must be current service. Vested employees may retire at or after age fifty-five with five years of credited service, of which one year must be current service, and receive reduced retirement benefits. CERS also provides death and disability benefits. Benefits are established by the state statute.

Hazardous and non-hazardous employees are required to contribute 8% and 5%, respectively, of their salary to the Plan by state statute. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 2008 was \$249,418, which consisted of \$195,623 from the City and \$53,795 from employees; the contribution represented 21.42% of covered payroll. Employer contribution rates are intended to fund the CERS normal cost on a current basis plus 1% of unfunded past service costs per annum plus interest at the actuarial assumed rate. The City contributed 16.17% of regular covered employee compensation and 33.87% for hazardous compensation during the year ended June 30, 2008. Contributions required by state statute for the five most recent years are as follows:

	<b>Required Contribution</b>	<b>Percentage Contributed</b>
6-30-08	195,623	100%
6-30-07	160,636	100%
6-30-06	133,010	100%
6-30-05	104,606	100%
6-30-04	93,729	100%

Since the City is only one of many participants in the CERS, disclosure of dollar amounts of retirement system data would not be meaningful. At June 30, 2008, (the date of the most recent obtained actuarial valuation of the retirement system) the Plan's net assets available for benefits were less than the actuarial present value (based on an assumed rate of return of 7.75% per annum) of accumulated Plan benefits. For additional information and ten-year historical trend information, see the Kentucky Retirement Systems Annual Report.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONCLUDED  
JUNE 30, 2008**

**5. COMPONENT UNIT - GRANT ADMINISTRATION**

The City of Edmonton received and disbursed grant monies in the amount of \$925,746 on behalf of the Industrial Development Authority. The proceeds of the grants were used to construct an electrical transmission line to the Edmonton Industrial Park. At June 30, 2008, all grant receipts for this project were disbursed. The transactions are included in the component unit column of the government-wide financial statements and in the component unit statements in the supplemental information.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	76,000	76,000	78,533	2,533
Occupational Licenses and Taxes	884,000	884,000	887,040	3,040
Insurance Premiums Tax	200,000	200,000	191,169	( 8,831)
Franchise Fees	20,000	20,000	9,197	( 10,803)
Intergovernmental Revenue	95,550	95,550	95,128	( 422)
Penalties and Fines	500	500	1,434	934
Parks and Recreation Income	0	0	51,573	51,573
Other	1,500	1,500	7,564	6,064
<b>Total Revenues</b>	<b><u>1,277,550</u></b>	<b><u>1,277,550</u></b>	<b><u>1,321,638</u></b>	<b><u>44,088</u></b>
<b>EXPENDITURES</b>				
Current				
Administration	219,370	219,370	217,972	1,398
Public Safety				
Police	437,948	437,948	500,980	( 63,032)
Fire	71,728	71,728	15,868	55,860
E911	69,000	69,000	68,774	226
Street Department	14,500	14,500	9,989	4,511
Parks and Recreation	199,239	199,239	207,515	( 8,276)
Capital Outlay	279,507	279,507	53,133	226,374
Debt Service				
Principal	154,522	154,522	156,539	( 2,017)
Interest	97,294	97,294	103,896	( 6,602)
Agent Fees	0	0	10,880	( 10,880)
<b>Total Expenditures</b>	<b><u>1,543,108</u></b>	<b><u>1,543,108</u></b>	<b><u>1,345,546</u></b>	<b><u>197,562</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>( 265,558)</u></b>	<b><u>( 265,558)</u></b>	<b><u>( 23,908)</u></b>	<b><u>241,650</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest Income	25,000	25,000	23,779	( 1,221)
Grant Proceeds	219,416	219,416	83,287	(136,129)
Transfers In	55,000	55,000	0	( 55,000)
Transfers Out	0	0	( 7,257)	( 7,257)
<b>Total Other Financing Sources (Uses)</b>	<b><u>299,416</u></b>	<b><u>299,416</u></b>	<b><u>99,809</u></b>	<b><u>(199,607)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>33,858</u></b>	<b><u>33,858</u></b>	<b><u>75,901</u></b>	<b><u>42,043</u></b>
<b>FUND BALANCE - BEGINNING</b>	<b><u>2,255,566</u></b>	<b><u>2,255,566</u></b>	<b><u>2,255,566</u></b>	<b><u>0</u></b>
<b>FUND BALANCE - ENDING</b>	<b><u>2,289,424</u></b>	<b><u>2,289,424</u></b>	<b><u>2,331,467</u></b>	<b><u>42,043</u></b>

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts GAAP Basis	With Final Budget
<b>REVENUES</b>				
Intergovernmental Revenue	25,053	25,053	43,652	18,599
LGEA Funds	<u>1,075</u>	<u>1,075</u>	<u>0</u>	<u>( 1,075)</u>
<b>Total Revenues</b>	<b><u>26,128</u></b>	<b><u>26,128</u></b>	<b><u>43,652</u></b>	<b><u>17,524</u></b>
<b>EXPENDITURES</b>				
Current				
Street Department	26,128	26,128	38,681	(12,553)
LGEA Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<b><u>26,128</u></b>	<b><u>26,128</u></b>	<b><u>38,681</u></b>	<b><u>(12,553)</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>4,971</u></b>	<b><u>4,971</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>0</b>	<b>0</b>	<b>4,971</b>	<b>4,971</b>
<b>FUND BALANCE - BEGINNING</b>	<b><u>5,410</u></b>	<b><u>5,410</u></b>	<b><u>5,410</u></b>	<b><u>0</u></b>
<b>FUND BALANCE - ENDING</b>	<b><u>5,410</u></b>	<b><u>5,410</u></b>	<b><u>10,381</u></b>	<b><u>4,971</u></b>

**SUPPLEMENTARY INFORMATION**

**CITY OF EDMONTON, KENTUCKY  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
 JUNE 30, 2008**

	<b>Municipal Road Aid</b>	<b>LGEA</b>	<b>HOME Project Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash in Banks	100	6,773	75	6,948
Due from Other Governments	<u>3,433</u>	<u>0</u>	<u>0</u>	<u>3,433</u>
<b>TOTAL ASSETS</b>	<b><u>3,533</u></b>	<b><u>6,773</u></b>	<b><u>75</u></b>	<b><u>10,381</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>	0	0	0	0
<b>FUND BALANCES - RESERVED</b>	<u>3,533</u>	<u>6,773</u>	<u>75</u>	<u>10,381</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>3,533</u></b>	<b><u>6,773</u></b>	<b><u>75</u></b>	<b><u>10,381</u></b>

**CITY OF EDMONTON, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Municipal Road Aid</b>	<b>LGEA</b>	<b>HOME Project Funds</b>	<b>Total</b>
<b>REVENUES</b>				
Intergovernmental Revenue	41,034	2,618	0	43,652
HOME Project Sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Revenues</b>	<b><u>41,034</u></b>	<b><u>2,618</u></b>	<b><u>0</u></b>	<b><u>43,652</u></b>
<b>EXPENDITURES</b>				
Streets	38,681	0	0	38,681
HOME Project Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<b><u>38,681</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>38,681</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,353</b>	<b>2,618</b>	<b>0</b>	<b>4,971</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other	( <u>58</u> )	<u>58</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>2,295</b>	<b>2,676</b>	<b>0</b>	<b>4,971</b>
<b>FUND BALANCES - BEGINNING</b>	<u>1,238</u>	<u>4,097</u>	<u>75</u>	<u>5,410</u>
<b>FUND BALANCES - ENDING</b>	<b><u>3,533</u></b>	<b><u>6,773</u></b>	<b><u>75</u></b>	<b><u>10,381</u></b>



**CITY OF EDMONTON, KENTUCKY  
DISCRETELY PRESENTED COMPONENT UNIT  
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2008**

**ASSETS**

Cash on Hand and in Banks	13,612
Investments in Certificates of Deposit	<u>51,085</u>

**TOTAL ASSETS** **64,697**

**LIABILITIES AND FUND BALANCE**

<b>LIABILITIES</b>	0
--------------------	---

<b>FUND BALANCE</b>	<u>64,697</u>
---------------------	---------------

**TOTAL LIABILITIES AND FUND BALANCE** **64,697**

**CITY OF EDMONTON, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF THE DISCRETELY PRESENTED  
COMPONENT UNIT – EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

<b>Total Fund Balance – Component Unit</b>	<b>64,697</b>
Amounts reported for <i>component unit</i> in the statement of net assets are different because:	
Capital assets of \$1,995,098, net of accumulated depreciation of (\$114,234), are not current financial resources and, therefore, are not reported in the fund.	1,880,864
Long-term liabilities of (\$25,000) are not due and payable in the current period and are not reported in the fund.	( <u>25,000</u> )
<b>Net Assets of Component Unit</b>	<b><u>1,920,561</u></b>

**CITY OF EDMONTON, KENTUCKY  
DISCRETELY PRESENTED COMPONENT UNIT  
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>REVENUES</b>	
Intergovernmental	<u>20,000</u>
<b>Total Revenues</b>	<b><u>20,000</u></b>
<b>EXPENDITURES</b>	
Industrial Program	17,927
Capital Outlay	459,498
Debt Service	
Principal	5,000
Interest	<u>2,129</u>
<b>Total Expenditures</b>	<b><u>484,554</u></b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b><u>(464,554)</u></b>
<b>OTHER FINANCING SOURCES</b>	
Interest Income	2,535
Industry Contributions - SEWS	250,000
Grant Income	210,375
Other Income	170
Transfer from General Fund	<u>7,129</u>
<b>Total Other Financing Sources</b>	<b><u>470,209</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,655</b>
<b>FUND BALANCE - BEGINNING</b>	<u>59,042</u>
<b>FUND BALANCE - ENDING</b>	<b><u>64,697</u></b>

**CITY OF EDMONTON, KENTUCKY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGE IN FUND BALANCE OF THE DISCRETELY PRESENTED  
 COMPONENT UNIT – EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008**

**Net Change in Fund Balance – Component Unit** **5,655**

Amounts reported for *component unit* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of these outlays are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$459,498 exceeded depreciation of (\$30,542) in the current period. See Note 3 for additional details. 428,956

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of debt payment was \$5,000. See Note 3 for additional details. 5,000

**Change in Net Assets of Component Unit** **439,611**

# TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804  
GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877  
FAX 270-651-8879

JOHN M. TAYLOR, CPA  
FREDDIE C. POLSON, CPA  
BELINDA E. COULTER, CPA

JANET M. WILEY, CPA  
JOHN M. TAYLOR III, CPA  
JEFF P. CARTER, CPA

BRANCH OFFICE  
108 WEST THIRD STREET  
TOMPKINSVILLE, KENTUCKY 42167  
TELEPHONE 270-487-6515  
FAX 270-487-9165

## 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

Honorable Mayor and Members of the City Council  
City of Edmonton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the City of Edmonton, Kentucky's basic financial statements and have issued our report thereon dated January 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Edmonton, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Edmonton, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Edmonton, Kentucky's internal control.

**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 - CONTINUED**

**Internal Control Over Financial Reporting - Concluded**

We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

- The City issued 194 business licenses during the 2008 fiscal year. Only 80 businesses filed a net profits tax return during the same period. This is a lack of a control to ensure that all licensed businesses are filing a net profits return. The potential result is a failure to collect all monies that may be due to the City.
- The City had two situations concerning the Natural Gas Fund during the year ended June 30, 2008:
  - 1) The gas billing rates are determined by adding a profit percentage to the City's cost. The method was flawed in that a given month's billing rate was based on the current month's purchase, while the usage for a month is not billed until the following month. This difference in timing caused a significant under-billing for the City's gas sales.
  - 2) In addition, a software upgrade in the billing system caused a miscalculation in the charges for an industrial customer for the entire year, billing them a fraction of their usage. A subsequent upgrade corrected the problem; the sharp increase called it to the attention of the customer.

These two situations reflect a lack of internal control as to monitoring, resulting in significant errors in the City's financial reporting and a potential loss of revenue.

- During the audit for the year ended June 30, 2008, there were several significant audit adjustments. This is a lack of internal control over financial reporting in accordance with generally accepted accounting principles. In order to properly reflect the City's financial position and results of operations, the City should make certain adjustments throughout the year for fixed assets, depreciation, and other liability accounts.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Edmonton, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Edmonton, Kentucky's financial statements are free of 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*.

**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 - CONCLUDED**

This report is intended solely for the information and use of management, the Mayor, members of the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Tejori, Pelson & Company, P.C.*

Certified Public Accountants

January 28, 2009