

CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS – CONCLUDED

	Purchase Date
<b>General Fund</b>	
Operating Fund	-
Municipal Park	-
Municipal Insurance	-
Bond Fund 2000 - General Obligation	-
Debt Reserve/Deposit - General Obligation	-
<b>Municipal Road Aid</b>	-
<b>LGEA Fund - Savings</b>	-
<b>Water Fund</b>	
Water Operations	-
Clearing Account	-
Tobacco Development Fund - KIA	-
Investment in Certificates of Deposit	11-25-12
Edmonton Water & Sewer Bond Fund - Series 1980	-
Edmonton Water & Sewer Bond Fund - 1980	-
Depreciation Fund - Savings	-
Bond Savings - 1990	-
1995 Southwest Water Project	-
1996 Series Downtown Project	-
<b>Natural Gas Fund</b>	
Gas Revenue Fund	-
Maintenance and Operations	-
Certificate of Deposit - Gas Revenue Fund	2-07-13
Clearing Account	-
Bank One	-
<b>Sewer Fund</b>	
Sewer Operations	-
Sewer Rehab - Rural Development	-
Clearing Account	-
Bond Series of 2000	-
<b>Industrial Fund - Component Unit</b>	
Industrial Fund	-
Certificates of Deposit - Industrial Fund	3-01-13

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Cost</b>	<b>Fair Value 6-30-13</b>
-	Variable	91,706	91,706
-	Variable	208,868	208,868
-	Variable	350,182	350,182
-	Variable	25,136	25,136
-	Variable	53,244	53,244
		<u>729,136</u>	<u>729,136</u>
-	-	<u>25,121</u>	<u>25,121</u>
-	Variable	<u>17,996</u>	<u>17,996</u>
-	Variable	1,271,477	1,271,477
-	Variable	43,577	43,577
-	Variable	27,139	27,139
11-25-13	1.0%	308,105	308,105
-	-	1,247	1,247
-	Variable	197,023	197,023
-	Variable	328,223	328,223
-	Variable	31,790	31,790
-	Variable	22,816	22,816
-	Variable	41,455	41,455
		<u>2,272,852</u>	<u>2,272,852</u>
-	Variable	389,796	389,796
-	Variable	79,418	79,418
2-07-14	1.0%	378,998	378,998
-	-	34,372	34,372
-	-	8	8
		<u>882,592</u>	<u>882,592</u>
-	Variable	51,781	51,781
-	Variable	136,889	136,889
-	Variable	5,357	5,357
-	Variable	4,574	4,574
		<u>198,601</u>	<u>198,601</u>
-	Variable	7,471	7,471
3-01-14	1.0%	14,813	14,813
		<u>22,284</u>	<u>22,284</u>
		<u>4,148,582</u>	<u>4,148,582</u>

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

**ASSETS - CONTINUED**

**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, 2013, taxes were levied on November 1, 2012, and due and payable on February 28, 2013. 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 .082 per \$100 of assessed valuation of real property and .082 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, 2013, the receivable for property taxes was \$3,986.

**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 an allowance for uncollectible accounts. The allowance is estimated using an amount equal to all inactive accounts.

Following is a summary of the accounts receivable and allowances for uncollectible accounts as of June 30, 2013:

	<b>Water</b>	<b>Natural Gas</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>
Accounts Receivable	221,715	111,370	37,727	370,812
Allowance for Uncollectibles	<u>86,996</u>	<u>56,100</u>	<u>17,233</u>	<u>160,329</u>
Accounts Receivable, Net	<u><b>134,719</b></u>	<u><b>55,270</b></u>	<u><b>20,494</b></u>	<u><b>210,483</b></u>

**RESTRICTED ASSETS**

Certain fund assets are restricted for construction funded through long-term debt. Net position 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.

CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

**ASSETS - CONTINUED**

**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. Following is a summary of changes in capital assets.

	<b>Balance 6-30-12</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6-30-13</b>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Land	1,728,689	-	-	1,728,689
Land Improvements	7,700	-	-	7,700
Buildings and Improvements	1,330,068	-	-	1,330,068
Equipment and Furnishings	303,098	-	-	303,098
Vehicles	668,196	-	-	668,196
Streets and Sidewalks	287,979	-	-	287,979
Municipal Park	937,615	13,414	-	951,029
	<u>5,263,345</u>	<u>13,414</u>	<u>0</u>	<u>5,276,759</u>
Less Accumulated Depreciation	<u>1,870,774</u>	<u>104,989</u>	<u>-</u>	<u>1,975,763</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>3,392,571</b></u>	<u><b>( 91,575)</b></u>	<u><b>0</b></u>	<u><b>3,300,996</b></u>
<b>Business-type Activities</b>				
Land	35,863	4,000	-	39,863
Buildings and Improvements	16,421,659	211,261	-	16,632,920
Equipment	543,395	4,603	-	547,998
Vehicles	243,869	-	-	243,869
	<u>17,244,786</u>	<u>219,864</u>	<u>0</u>	<u>17,464,650</u>
Less Accumulated Depreciation	<u>6,881,654</u>	<u>362,393</u>	<u>-</u>	<u>7,244,047</u>
<b>Business-type Activities Capital Assets, Net</b>	<u><b>10,363,132</b></u>	<u><b>(142,529)</b></u>	<u><b>0</b></u>	<u><b>10,220,603</b></u>
<b>COMPONENT UNIT</b>				
<b>Industrial Development</b>				
Land	187,097	-	-	187,097
Buildings	649,645	105,768	-	755,413
Electrical Transmission Line	1,647,755	-	-	1,647,755
	<u>2,484,497</u>	<u>105,768</u>	<u>0</u>	<u>2,590,265</u>
Less Accumulated Depreciation	<u>314,320</u>	<u>54,937</u>	<u>-</u>	<u>369,257</u>
<b>Industrial Development Capital Assets, Net</b>	<u><b>2,170,177</b></u>	<u><b>50,831</b></u>	<u><b>0</b></u>	<u><b>2,221,008</b></u>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

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

**ASSETS - CONCLUDED**

**DEPRECIATION EXPENSE**

Depreciation expense was charged to governmental functions as follows:

**PRIMARY GOVERNMENT**

**Governmental Activities**

General Government	44,200
Streets	3,217
Parks and Recreation	<u>57,572</u>

**Total Depreciation Expense – Governmental Activities** **104,989**

**Business-type Activities**

Water	254,535
Sewer	51,124
Natural Gas	<u>56,734</u>

**Total Depreciation Expense – Business-type Activities** **362,393**

**TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT** **467,382**

**COMPONENT UNIT**

**Industrial Development** **54,937**

**LIABILITIES**

**CAPITAL LEASES - GOVERNMENTAL ACTIVITIES**

**General Obligation Lease**

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, 2013, was \$101,661.

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, 2013, was \$868,029.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

**CAPITAL LEASES - GOVERNMENTAL ACTIVITIES - CONCLUDED**

**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, 2013, was \$100,033.

**KADD**

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, 2013, was \$255,000.

**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, 2013, \$69,500 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, 2013. Following is a schedule of remaining sinking fund requirements for the general fund.

	<b>Interest</b>	<b>Principal</b>	<b>Annual Requirement</b>
June 30, 2014	3,562	34,000	37,562
June 30, 2015	<u>1,819</u>	<u>35,500</u>	<u>37,319</u>
	<u><b>5,381</b></u>	<u><b>69,500</b></u>	<u><b>74,881</b></u>

CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Capital Assets and Depreciation - Concluded

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 Balances - Governmental Funds

The City of Edmonton, Kentucky, has applied GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City of Edmonton, Kentucky, is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City does not have any nonspendable resources as of June 30, 2013.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified restricted assets for special revenue funds as being restricted because their use is restricted by State statute for Municipal Road Aid and LGEA expenditures. Debt service resources are to be used for future servicing of the general obligation bond and are restricted through debt covenants.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

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

**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 \$317, until there is established and maintained in said depreciation fund the sum of \$38,000. As of June 30, 2013, the depreciation fund balance was \$53,244. Monthly transfers were completed as required.

**LOANS PAYABLE - BUSINESS-TYPE ACTIVITIES**

**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 \$372,917 as of June 30, 2013. The interest is 4.18% per annum and is payable in monthly installments of principal and interest through January 1, 2019.

**Kentucky Rural Water Finance Corporation**

There is a loan payable to Kentucky Rural Water Finance Corporation dated June 19, 2013, in the amount of \$700,000. The loan bears interest at 2.45% per annum and matures on September 1, 2014. Proceeds of the loan are being used as interim financing for the sewer rehab project. The balance of the loan at June 30, 2013, was \$136,889. If the loan is prepaid by January 31, 2014, a 1% prepayment premium may be assessed; if prepaid between February 1, 2014 and April 30, 2014, a .5% prepayment premium may be assessed; after April 30, 2014, no prepayment premium will be assessed.

**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 Berkadia 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, 2013:

1980 Issue	30,500
1982 Issue - Series A	64,500
1982 Issue - Series C	19,000
1984 Issue	335,943

**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 \$257,000 due as of June 30, 2013.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

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

**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 \$244,000 due as of June 30, 2013.

**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 \$346,000 due as of June 30, 2013.

**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 \$168,800 due as of June 30, 2013.

**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 \$95,800 due as of June 30, 2013.

**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 \$722,000 due as of June 30, 2013.

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.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

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

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 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
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

CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013

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) - Continued

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	204,696
Actual Transfers	<u>168,810</u>
Transfers Over (Under) Requirement	( 35,886)
Beginning Balance – Sinking Funds	<u>334,791</u>
Ending Balance – Sinking Funds	<u>298,905</u>

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

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

	Interest	Principal	Annual Requirement
June 30, 2014	107,815	79,600	187,415
June 30, 2015	103,979	84,500	188,479
June 30, 2016	99,806	88,800	188,606
June 30, 2017	95,443	94,100	189,543
June 30, 2018	<u>90,889</u>	<u>93,400</u>	<u>184,289</u>
	<u>497,932</u>	<u>440,400</u>	<u>938,332</u>

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").

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

**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**

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 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 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, 2013, the depreciation fund had a balance of \$328,223, 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.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

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

**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 that 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.

**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.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

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

**Investment and Miscellaneous Provisions - Concluded**

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.

**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**

On April 20, 2012, the Industrial Development Authority entered into an agreement with Edmonton State Bank to borrow funds for the construction of a building for industrial purposes. The total drawn on the loan was \$248,649. Construction was completed in November 2012, and the loan became due and payable in semi-annual installments bearing interest at 3.5% per annum. The balance at June 30, 2013, was \$195,333.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

**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, 2013:

	<b>Balance 6-30-12</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance 6-30-13</b>	<b>Due Within One Year</b>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
<b>General Obligation Leases</b>					
Musco Lighting	148,531	-	46,870	101,661	49,461
Municipal Park	929,465	-	61,436	868,029	64,570
<b>Special Obligation Lease</b>					
Municipal Park	107,114	-	7,081	100,033	7,441
KADD - City Hall	275,000	-	20,000	255,000	20,000
	<u>1,460,110</u>	<u>0</u>	<u>135,387</u>	<u>1,324,723</u>	<u>141,472</u>
<b>General Obligation Bond</b>	<u>102,000</u>	<u>-</u>	<u>32,500</u>	<u>69,500</u>	<u>34,000</u>
<b>Total Governmental Activities</b>	<u>1,562,110</u>	<u>0</u>	<u>167,887</u>	<u>1,394,223</u>	<u>175,472</u>
<b>Business-type Activities</b>					
<b>Loans Payable</b>					
Kentucky Rural Water Finance Corporation	-	136,889	-	136,889	-
Kentucky League of Cities	435,000	-	62,083	372,917	65,000
	<u>435,000</u>	<u>136,889</u>	<u>62,083</u>	<u>509,806</u>	<u>65,000</u>
<b>Revenue Bonds Payable</b>					
1980 Issue	34,000	-	3,500	30,500	3,500
1982 Issue - Series A	71,000	-	6,500	64,500	7,000
1982 Issue - Series B	16,000	-	16,000	0	-
1982 Issue - Series C	23,000	-	4,000	19,000	4,500
1984 Issue	354,943	-	19,000	335,943	20,000
1990 Issue	266,000	-	9,000	257,000	9,000
1993 Issue	251,000	-	7,000	244,000	7,000
1995 Issue	355,000	-	9,000	346,000	9,000
1996 Issue	173,300	-	4,500	168,800	4,600
2000 Issue	97,700	-	1,900	95,800	2,000
2002 Issue	734,000	-	12,000	722,000	13,000
	<u>2,375,943</u>	<u>0</u>	<u>92,400</u>	<u>2,283,543</u>	<u>79,600</u>
<b>Total Business-type Activities</b>	<u>2,810,943</u>	<u>136,889</u>	<u>154,483</u>	<u>2,793,349</u>	<u>144,600</u>
<b>COMPONENT UNIT</b>					
<b>Industrial Program</b>					
Edmonton State Bank	4,969	-	4,969	0	-
Edmonton State Bank	145,000	103,649	53,316	195,333	10,555
<b>Total Industrial Program</b>	<u>149,969</u>	<u>103,649</u>	<u>58,285</u>	<u>195,333</u>	<u>10,555</u>

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

**LIABILITIES - CONTINUED**

**DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2013, were as follows:

<b>PRIMARY GOVERNMENT Governmental Activities</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>Capital Leases</b>			
June 30, 2014	141,472	54,985	196,457
June 30, 2015	147,877	48,508	196,385
June 30, 2016	104,531	41,515	146,046
June 30, 2017	108,581	37,115	145,696
June 30, 2018	112,836	32,412	145,248
June 30, 2019 - 2023	651,014	84,775	735,789
June 30, 2024	58,412	1,418	59,830
	<b><u>1,324,723</u></b>	<b><u>300,728</u></b>	<b><u>1,625,451</u></b>
<b>General Obligation Bond</b>			
June 30, 2014	34,000	3,562	37,562
June 30, 2015	35,500	1,819	37,319
	<b><u>69,500</u></b>	<b><u>5,381</u></b>	<b><u>74,881</u></b>
<b>Total Governmental Activities</b>	<b><u>1,394,223</u></b>	<b><u>306,109</u></b>	<b><u>1,700,332</u></b>
<b>Business-type Activities</b>			
<b>Loans Payable</b>			
June 30, 2014	65,000	10,958	75,958
June 30, 2015	201,889	10,058	211,947
June 30, 2016	67,083	7,438	74,521
June 30, 2017	70,000	5,425	75,425
June 30, 2018	70,000	3,325	73,325
June 30, 2019	35,834	1,225	37,059
	<b><u>509,806</u></b>	<b><u>38,429</u></b>	<b><u>548,235</u></b>
<b>Revenue Bonds Payable</b>			
June 30, 2014	79,600	107,667	187,267
June 30, 2015	84,500	103,820	188,320
June 30, 2016	88,800	99,733	188,533
June 30, 2017	94,100	95,443	189,543
June 30, 2018	93,400	90,889	184,289
June 30, 2019 - 2023	511,300	383,235	894,535
June 30, 2024 - 2028	449,443	262,183	711,626
June 30, 2029 - 2033	451,500	157,341	608,841
June 30, 2034 - 2038	264,700	68,323	333,023
June 30, 2039 - 2042	166,200	18,365	184,565
	<b><u>2,283,543</u></b>	<b><u>1,386,999</u></b>	<b><u>3,670,542</u></b>
<b>Total Business-type Activities</b>	<b><u>2,793,349</u></b>	<b><u>1,425,428</u></b>	<b><u>4,218,777</u></b>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

**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, 2014	10,555	6,114	16,669
June 30, 2015	11,907	6,277	18,184
June 30, 2016	12,330	5,854	18,184
June 30, 2017	12,769	5,415	18,184
June 30, 2018	13,223	4,961	18,184
June 30, 2019 - 2023	73,511	17,409	90,920
June 30, 2024 - 2026	61,038	3,985	65,023
<b>Total Component Unit</b>	<b><u>195,333</u></b>	<b><u>50,015</u></b>	<b><u>245,348</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. Internal receivable and payable balances at June 30, 2013, are listed on the following page.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2013**

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

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

**RECEIVABLES AND PAYABLES - CONCLUDED**

	<b>Internal Receivables</b>	<b>Internal Payables</b>
<b>PRIMARY GOVERNMENT</b>		
<b>Governmental-type Activities</b>		
General Fund	653,898	-
<b>Business-type Activities</b>		
Water	312,286	750,120
Natural Gas	127,388	31,166
Sewer	-	312,286
	<u><b>1,093,572</b></u>	<u><b>1,093,572</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</b>	<b>Payments To</b>
<b>PRIMARY GOVERNMENT</b>	<b>Component Unit – Industrial Program</b>
<b>Governmental Activities</b>	
Major Governmental Fund	
General Fund	<u><b>5,269</b></u>

**4. RETIREMENT PLAN COMMITMENTS**

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

The City of Edmonton is a participant in the Commonwealth of Kentucky's 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 employees are required to participate in the Plan as well as any part-time employees who average one hundred or more hours per month.

Funding for the Plan is provided through payroll withholdings and participating employer contributions. Non-hazardous employees hired before September 1, 2008, are required to contribute 5%; those hired after September 1, 2008, are required to contribute 6%. Hazardous

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2013**

**4. RETIREMENT PLAN COMMITMENTS - CONCLUDED**

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

employees hired before September 1, 2008, are required to contribute 8%; those hired after September 1, 2008, are required to contribute 9%. The City was required to contribute 19.55% for non-hazardous employees and 37.6% for hazardous employees' regular compensation for the year ended June 30, 2013. Benefits under the Plan will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

The payroll for employees covered by CERS for the year ended June 30, 2013, was \$888,938; the City's total payroll was \$903,012. The contribution requirement for the year ended June 30, 2013, was \$258,915, which consisted of \$217,426 from the City and \$41,489 from employees; the contribution represented 29.13% 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 current actuarial assumed rate. Contributions required by State statute for the three most recent years are listed as follows:

	<b>Required Contribution</b>	<b>Percentage Contributed</b>
6-30-13	258,915	100%
6-30-12	263,302	100%
6-30-11	245,352	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, 2012, (the date of the most recent obtained actuarial valuation of the retirement system) the Plan's net position 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. That report is available at [www.kyret.com](http://www.kyret.com), or by writing to Kentucky Retirement Systems, Premier Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

**5. CONDUIT DEBT OBLIGATIONS**

The City of Edmonton, Kentucky, has issued Kentucky Healthcare Refunding Revenue Bonds (T.J. Samson Community Hospital Project) Series 2012 to provide financial assistance to T.J. Samson Community Hospital in refunding its obligation with the Kentucky Economic Development Finance authority, which was used to acquire, construct, equip, and renovate its facilities deemed to be in the public interest. The bonds are secured by a first pledge of the revenues of T.J. Samson Community Hospital. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, there was one series of Kentucky Healthcare Refunding Revenue Bonds outstanding. The aggregate principal amount payable totaled \$6,289,000.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONCLUDED  
JUNE 30, 2013**

**6. SUBSEQUENT EVENT - SEWER PROJECT**

On June 19, 2013, the City obtained interim financing in the amount of \$700,000 from Kentucky Rural Water Finance Corporation to fund a project for sewer rehab and upgrades. (See Note 3) The total amount of the project is \$2,500,000, to be funded by a \$700,000 loan and three grants totaling \$1,800,000. The project is expected to be completed by June 30, 2014.

**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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final</b>
			<b>GAAP Basis</b>	<b>Budget</b>
<b>REVENUES</b>				
Property Taxes	82,500	82,500	85,136	2,636
Occupational Licenses and Tax	658,000	658,000	701,374	43,374
Insurance Premiums Tax	189,000	189,000	160,040	( 28,960)
Franchise Fees	9,000	9,000	9,561	561
Intergovernmental Revenue	49,093	49,093	48,315	( 778)
Penalties and Fines	500	500	405	( 95)
Parks and Recreation	42,000	42,000	49,373	7,373
Other	1,500	1,500	1,194	( 306)
<b>Total Revenues</b>	<b><u>1,031,593</u></b>	<b><u>1,031,593</u></b>	<b><u>1,055,398</u></b>	<b><u>23,805</u></b>
<b>EXPENDITURES</b>				
Current				
General Government	217,832	221,307	221,803	( 496)
Public Safety				
Police	386,300	399,488	450,367	( 50,879)
Fire	30,000	30,000	27,026	2,974
E911	72,000	72,000	72,374	( 374)
Street Department	-	-	826	( 826)
Parks and Recreation	255,127	255,127	270,855	( 15,728)
Capital Outlay	13,188	13,592	13,414	178
Debt Service				
Principal	167,887	167,887	167,887	0
Interest	66,136	66,136	66,588	( 452)
Agent Fees	7,847	7,847	7,847	0
<b>Total Expenditures</b>	<b><u>1,216,317</u></b>	<b><u>1,233,384</u></b>	<b><u>1,298,987</u></b>	<b><u>( 65,603)</u></b>
<b>DEFICIENCY OF REVENUES OVER</b>				
<b>EXPENDITURES</b>	<b><u>( 184,724)</u></b>	<b><u>( 201,791)</u></b>	<b><u>( 243,589)</u></b>	<b><u>( 41,798)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest Income	8,000	8,000	7,313	( 687)
Grant Proceeds	-	1,538	2,038	500
Transfers In	220,000	220,000	-	(220,000)
Transfers Out	( 18,000)	( 18,000)	( 5,269)	12,731
<b>Total Other Financing Sources</b>	<b><u>210,000</u></b>	<b><u>211,538</u></b>	<b><u>4,082</u></b>	<b><u>(207,456)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>25,276</b>	<b>9,747</b>	<b>( 239,507)</b>	<b>(249,254)</b>
<b>FUND BALANCE - BEGINNING</b>	<b><u>1,668,489</u></b>	<b><u>1,668,489</u></b>	<b><u>1,594,405</u></b>	<b><u>( 74,084)</u></b>
<b>FUND BALANCE - ENDING</b>	<b><u>1,693,765</u></b>	<b><u>1,678,236</u></b>	<b><u>1,354,898</u></b>	<b><u>(323,338)</u></b>

See independent auditor's report.

**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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>With Final Budget</b>
<b>REVENUES</b>				
Intergovernmental Revenue	<u>48,577</u>	<u>48,577</u>	<u>43,402</u>	( 5,175)
<b>Total Revenues</b>	<u><b>48,577</b></u>	<u><b>48,577</b></u>	<u><b>43,402</b></u>	( 5,175)
<b>EXPENDITURES</b>				
Current				
Street Department	63,437	63,437	21,251	42,186
LGEA	<u>20,839</u>	<u>20,839</u>	<u>2,536</u>	<u>18,303</u>
<b>Total Expenditures</b>	<u><b>84,276</b></u>	<u><b>84,276</b></u>	<u><b>23,787</b></u>	<u><b>60,489</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>(35,699)</b></u>	<u><b>(35,699)</b></u>	<u><b>19,615</b></u>	<u><b>55,314</b></u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><b>(35,699)</b></u>	<u><b>(35,699)</b></u>	<u><b>19,615</b></u>	<u><b>55,314</b></u>
<b>FUND BALANCE - BEGINNING</b>	<u>35,699</u>	<u>35,699</u>	<u>27,109</u>	( 8,590)
<b>FUND BALANCE - ENDING</b>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>46,724</u></u>	<u><u>46,724</u></u>

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**CITY OF EDMONTON, KENTUCKY  
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
<b>ASSETS</b>			
Cash in Banks	25,122	17,996	43,118
Due from Other Governments	<u>3,606</u>	<u>-</u>	<u>3,606</u>
<b>TOTAL ASSETS</b>	<b><u>28,728</u></b>	<b><u>17,996</u></b>	<b><u>46,724</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>	-	-	0
<b>FUND BALANCES - RESTRICTED</b>	<u>28,728</u>	<u>17,996</u>	<u>46,724</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>28,728</u></b>	<b><u>17,996</u></b>	<b><u>46,724</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, 2013**

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental Revenue	<u>38,775</u>	<u>4,627</u>	<u>43,402</u>
<b>Total Revenues</b>	<b><u>38,775</u></b>	<b><u>4,627</u></b>	<b><u>43,402</u></b>
<b>EXPENDITURES</b>			
Streets	21,251	-	21,251
LGEA	<u>-</u>	<u>2536</u>	<u>2,536</u>
<b>Total Expenditures</b>	<b><u>21,251</u></b>	<b><u>2,536</u></b>	<b><u>23,787</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>17,524</u></b>	<b><u>2,091</u></b>	<b><u>19,615</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>0</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b><u>17,524</u></b>	<b><u>2,091</u></b>	<b><u>19,615</u></b>
<b>FUND BALANCES - BEGINNING</b>	<u>11,204</u>	<u>15,905</u>	<u>27,109</u>
<b>FUND BALANCES - ENDING</b>	<b><u>28,728</u></b>	<b><u>17,996</u></b>	<b><u>46,724</u></b>

CITY OF EDMONTON, KENTUCKY  
DISCRETELY PRESENTED COMPONENT UNIT  
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2013

**ASSETS**

Cash on Hand and in Banks	7,471
Investments in Certificates of Deposit	<u>14,813</u>

**TOTAL ASSETS**

**22,284**

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

0

**FUND BALANCE - COMMITTED**

22,284

**TOTAL LIABILITIES AND FUND BALANCE**

**22,284**

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 POSITION  
JUNE 30, 2013

Total Fund Balance – Component Unit	22,284
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Amounts reported for *component unit* in the statement of net position are different because:

Capital assets of \$2,590,266, net of accumulated depreciation of (\$369,258), are not current financial resources and, therefore, are not reported in the fund.	2,221,008
--	-----------

Long-term liabilities of (\$195,333) are not due and payable in the current period and are not reported in the fund.	( 195,333)
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Net Position of Component Unit	<u>2,047,959</u>
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**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, 2013**

<b>REVENUES</b>	
Rent Income	13,700
Intergovernmental	<u>24,000</u>
<b>Total Revenues</b>	<b><u>37,700</u></b>
<b>EXPENDITURES</b>	
Industrial Program	24,547
Capital Outlay	105,769
Debt Service	
Principal	58,284
Interest	<u>63,846</u>
<b>Total Expenditures</b>	<b><u>252,446</u></b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(214,746)</b>
<b>OTHER FINANCING SOURCES</b>	
Interest Income	225
Proceeds from Note	103,649
Miscellaneous	1,581
Grant Income	51,000
Transfer from General Fund	<u>5,269</u>
<b>Total Other Financing Sources</b>	<b><u>161,724</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>( 53,022)</b>
<b>FUND BALANCE - BEGINNING</b>	<u>75,306</u>
<b>FUND BALANCE - ENDING</b>	<b><u>22,284</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, 2013

**Net Change in Fund Balance – Component Unit** **(53,022)**

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 \$105,769 exceeded depreciation expense of (\$54,937) in the current period. See Note 3 for additional details. 50,832

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds from debt of (\$103,649) exceeded payments of \$58,284. See Note 3 for additional details. (45,365)

**Change in Net Position of Component Unit** **(47,555)**

# TAYLOR, POLSON & COMPANY, PSC

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Edmonton, Kentucky's basic financial statements, and have issued our report thereon dated November 12, 2013.

### Internal Control Over Financial Reporting

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

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

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

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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

*Taylor, Tolson & Company, PSC*  
Certified Public Accountants

November 12, 2013