

CITY OF EDMONTON, KENTUCKY
ANNUAL FINANCIAL REPORT
JUNE 30, 2015

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DIRECTORY

CITY OF EDMONTON, KENTUCKY

(MAYOR-COUNCIL FORM OF GOVERNMENT)

MAYOR

HOWARD D. GARRETT

COUNCIL MEMBERS 2014-2015

**CATHY NUNN
WAYNE WILSON
AUSTIN BRAGG**

**BILLY JEFFRIES
RONNIE MILLER
CURT ESTES**

CITY CLERK-TREASURER..... CHRISTI WILSON
DEPUTY CITY CLERK.....DAWN DEVORE
ASSISTANT CITY CLERK ALICIA REED
ASSISTANT CITY CLERK CONNIE SHIVE
CITY ATTORNEY 2015..... SHARON HOWARD
CITY SUPERINTENDENT..... HOWARD DICKSON
POLICE CHIEF TONY HARRIS
PARKS AND RECREATION DIRECTOR PAGE EDWARDS



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 aggregate remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Edmonton, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edmonton, Kentucky, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 8 - 19), budgetary comparison information (pages 63 - 65), and pension information (page 66) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edmonton, Kentucky's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and is also not a required part of the basic financial statements.

The combining fund financial statements, component unit financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, component unit financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2016, on our consideration of the City of Edmonton, Kentucky's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Edmonton Kentucky's internal control over financial reporting and compliance.


Certified Public Accountants

February 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015, the City's assets exceeded liabilities by \$13,939,321. Total net position is comprised of the following:
 1. Net position of \$10,813,465 is 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 position of \$1,203,241 is restricted to specific projects by laws, regulations, contractual agreements, or debt service.
 3. Unrestricted net position of \$1,922,615 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2015, were \$3,340,148, and current liabilities payable from unrestricted resources were \$798,038.
- Net position increased by \$1,081,323.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$10,796 to a total of \$1,212,970.
- Net position in the proprietary funds increased \$968,102 to a total of \$11,432,651.

Revenues and Expenditures

- Revenues in governmental funds were \$1,277,110. 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 \$1,275,580. 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 \$9,266. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$2,962,595. This includes charges for utility services (water, sewer, and natural gas).
- Expenses in the proprietary fund types totaled \$2,739,588. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$745,095 of revenue. This amount includes grant income, interest income, bond interest expense, and other income and expense items.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 position 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 position. 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 position 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 and LGEA). 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 Development Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONCLUDED

Fund Financial Statements - Concluded

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

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 use enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. Services such as water, sewer, and natural gas utilities are provided to customers external to the City organization.

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 enterprise funds:

- Water
- Sewer
- Natural Gas

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 remainder of this report consists of 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, the budgetary comparisons for the major funds, and the pension information are required supplementary information included in this report. Other supplementary information includes the combining statements for the special revenue funds and the component unit statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following two pages summarize, in a condensed format, the net position 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 position 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 position in the governmental-type activities, \$252,322 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$950,919 of the City's business-type activities' net position 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. Compared to the prior year, total revenue increased \$171,587. The utilities had a decrease in revenues of \$720,127. The change in net position was an increase of \$113,221 for governmental-type activities and an increase of \$968,102 for business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NET POSITION

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	Total
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
ASSETS						
Current Assets	1,207,876	1,179,019	3,800,839	3,460,341	5,008,715	4,639,360
Restricted Assets	70,008	82,732	950,919	950,162	1,020,927	1,032,894
Non-Current Assets	<u>3,114,376</u>	<u>3,207,824</u>	<u>12,016,983</u>	<u>11,474,128</u>	<u>15,131,359</u>	<u>14,681,952</u>
Total Assets	<u>4,392,260</u>	<u>4,469,575</u>	<u>16,768,741</u>	<u>15,884,631</u>	<u>21,161,001</u>	<u>20,354,206</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>113,553</u>	<u>-</u>	<u>83,828</u>	<u>-</u>	<u>197,381</u>	<u>-</u>
LIABILITIES						
Current Liabilities	169,444	207,455	1,522,166	2,140,423	1,691,610	2,347,878
Liabilities Payable from Restricted Assets	-	35,500	150,254	135,930	150,254	171,430
Non-Current Liabilities	<u>1,747,947</u>	<u>1,035,374</u>	<u>3,677,271</u>	<u>2,367,776</u>	<u>5,425,218</u>	<u>3,403,150</u>
Total Liabilities	<u>1,917,391</u>	<u>1,278,329</u>	<u>5,349,691</u>	<u>4,644,129</u>	<u>7,267,082</u>	<u>5,922,458</u>
DEFERRED INFLOWS OF RESOURCES	<u>81,752</u>	<u>-</u>	<u>70,227</u>	<u>-</u>	<u>151,979</u>	<u>-</u>
NET POSITION						
Invested in Capital Assets, Net of Debt	2,079,002	1,989,072	8,734,463	8,285,337	10,813,465	10,274,409
Restricted	252,322	319,759	950,919	950,162	1,203,241	1,269,921
Unrestricted	<u>175,346</u>	<u>882,415</u>	<u>1,747,269</u>	<u>2,005,003</u>	<u>1,922,615</u>	<u>2,887,418</u>
TOTAL NET POSITION	<u>2,506,670</u>	<u>3,191,246</u>	<u>11,432,651</u>	<u>11,240,502</u>	<u>13,939,321</u>	<u>14,431,748</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OPERATING RESULTS

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	Total
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
PROGRAM REVENUES						
Charges for Services	57,139	45,841	2,962,595	3,596,809	3,019,734	3,642,650
Operating Grants and Contributions	83,794	106,333	-	-	83,794	106,333
Capital Grants and Contributions	1,500	500	863,474	946,979	864,974	947,479
GENERAL REVENUES						
Property Taxes	85,093	83,781	-	-	85,093	83,781
Occupational Licenses and Tax	884,840	702,130	-	-	884,840	702,130
Insurance Premiums Tax	155,258	156,941	-	-	155,258	156,941
Franchise Fees	9,242	9,732	-	-	9,242	9,732
Investment Income	4,516	5,263	19,265	21,673	23,781	26,936
Sale of Surplus Property	3,250	-	-	-	3,250	-
Miscellaneous	1,744	4,268	-	-	1,744	4,268
Total Revenues	<u>1,286,376</u>	<u>1,114,789</u>	<u>3,845,334</u>	<u>4,565,461</u>	<u>5,131,710</u>	<u>5,680,250</u>
PROGRAM EXPENSES						
General Government	211,219	234,980	-	-	211,219	234,980
Public Safety	550,627	557,261	-	-	550,627	557,261
Street Department	38,345	50,104	-	-	38,345	50,104
LGEA	-	-	-	-	-	-
Parks and Recreation	322,637	330,596	-	-	322,637	330,596
Interest on Long-Term Debt	50,327	58,998	-	-	50,327	58,998
Water	-	-	1,441,929	1,436,156	1,441,929	1,436,156
Sewer	-	-	226,990	190,473	226,990	190,473
Natural Gas	-	-	1,208,313	1,449,385	1,208,313	1,449,385
Total Expenses	<u>1,173,155</u>	<u>1,231,939</u>	<u>2,877,232</u>	<u>3,076,014</u>	<u>4,050,387</u>	<u>4,307,953</u>
EXCESS (DEFICIENCY) BEFORE TRANSFERS	113,221	(117,150)	968,102	1,489,447	1,081,323	1,372,297
Transfers	-	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	<u>113,221</u>	<u>(117,150)</u>	<u>968,102</u>	<u>1,489,447</u>	<u>1,081,323</u>	<u>1,372,297</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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>6-30-15</u>	<u>6-30-14</u>
Occupational Licenses and Tax	69%	63%
Insurance Premiums Tax	12%	14%
Operating Grants and Contributions	7%	10%
Property Taxes	7%	8%
Charges for Services	4%	4%
Franchise Fees	<u>1%</u>	<u>1%</u>
Governmental Revenue	<u>100%</u>	<u>100%</u>

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

	<u>6-30-15</u>	<u>6-30-14</u>
Police	39%	37%
Administration	18%	19%
Parks and Recreation	28%	27%
Fire	2%	3%
Interest on Long-Term Debt	4%	4%
E911	6%	6%
Streets	<u>3%</u>	<u>4%</u>
Governmental Expenses	<u>100%</u>	<u>100%</u>

The business-type activities are shown comparing revenues generated to costs incurred by the related utility services. Water, sewer, 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.

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

- Water Fund revenues were \$1,464,377 as compared to costs of \$1,441,929.
- Sewer Fund revenues were \$227,636 as compared to costs of \$226,990.
- Natural Gas Fund revenues were \$1,270,582 as compared to costs of \$1,208,313.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 from the government-wide 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 \$10,796, which includes an increase of \$1,530 from operations and an increase of \$9,266 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 \$1,212,970. Of this year-end total, approximately \$1,086,377 is unassigned, indicating availability for continuing City service requirements. Restricted fund balances include \$70,008 for debt service and \$56,585 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 \$10,528.

The special revenue fund is made up of two individual funds (municipal road aid and LGEA), which are combined in the supplementary information. Fund balance of the special revenue fund increased by \$268.

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 statement of net position for proprietary funds and the statement of revenues, expenses, and changes in net position as well as the statement of cash flows for proprietary funds. Total net position increased by \$968,102, which includes net operating income of \$223,007 and net revenue from non-operating activities of \$745,095.

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 net position of \$144,490. The water fund had net income of \$119,028 from operations and \$24,562 of net revenues from non-operating activities. The water fund reports a net position amount of \$6,527,640, of which \$880,620 is restricted for debt service.

The sewer fund reported an increase in net position of \$754,517. The sewer fund had a net income of \$30,190 from operations and \$724,327 net income from non-operating activities. The sewer fund reports a net position amount of \$2,695,199, of which \$70,297 is restricted for debt service and \$2 for sewer projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONCLUDED

Major Proprietary Funds - Concluded

The natural gas fund reported an increase in net position of \$69,095. The natural gas fund had net income of \$72,889 from operations and \$3,794 net expenses from non-operating activities. The natural gas fund reports a net position amount of \$2,209,812, all of which is unrestricted.

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 increase in the general fund balance was more than budget estimates by \$144,129: revenues were more than budget by \$180,296, expenditures were more than budget by \$56,394, and other financing sources were more by \$20,227.

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		
	Governmental Activities	Business-type Activities	Total
Land	1,728,689	89,863	1,818,552
Land Improvements	7,700	-	7,700
Buildings and Improvements	1,335,868	19,045,785	20,381,653
Equipment and Furnishings	303,098	635,695	938,793
Vehicles	668,196	243,869	912,065
Streets and Sidewalks	287,979	-	287,979
Municipal Park	952,153	-	952,153
	5,283,683	20,015,212	25,298,895
Accumulated Depreciation	(2,169,307)	(7,998,314)	(10,167,621)
TOTAL	<u>3,114,376</u>	<u>12,016,898</u>	<u>15,131,274</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED

LONG-TERM DEBT	PRIMARY GOVERNMENT		Total
	Governmental Activities	Business-type Activities	
Capital Leases			
General Obligation			
Municipal Park	735,602	-	735,602
Special Obligation	84,772	-	84,772
KADD - City Hall	<u>215,000</u>	<u>-</u>	<u>215,000</u>
Total Capital Leases	<u>1,035,374</u>	<u>0</u>	<u>1,035,374</u>
Loans			
KY Infrastructure Authority	-	165,205	165,205
Kentucky League of Cities	<u>-</u>	<u>248,333</u>	<u>248,333</u>
Total Loans	<u>0</u>	<u>413,538</u>	<u>413,538</u>
Bonds			
Revenue Bonds			
1980 Issue	-	23,000	23,000
1982 Issue Ser A	-	50,500	50,500
1982 Issue Ser C	-	10,000	10,000
1984 Issue	-	293,943	293,943
1990 Issue	-	238,000	238,000
1993 Issue	-	229,000	229,000
1995 Issue	-	328,000	328,000
1996 Issue	-	159,300	159,300
2000 Issue	-	91,700	91,700
2002 Issue	-	696,000	696,000
2013 Issue	<u>-</u>	<u>700,000</u>	<u>700,000</u>
Total Bonds	<u>0</u>	<u>2,819,443</u>	<u>2,819,443</u>

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

NET PENSION LIABILITY

At June 30, 2015, per GASB No. 68 and GASB No. 71, the City of Edmonton reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability was \$1,426,943. This amount was allocated proportionately between the Governmental Activities and the Business-type Activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THE OUTLOOK FOR NEXT YEAR

The City of Edmonton is still being affected by the slowly recovering economy. We are fortunate that the industries located in Edmonton are beginning to see improvement in job retention and job expansion.

The TVA grant and loan from Edmonton-Metcalfe County Industrial Authority should be completed soon. The spec building will give the industrial authority a building to show to companies that are looking at this area.

The health insurance premium for city employees is increasing again by 8%. This benefit is paid entirely by the city. This premium has increased over 36% within the past 3 years. The City will need to look at different options. This benefit is important to our employees; as such, we need to balance this with the decision as to what percentage to pay or whether we give a pay raise.

The City has included in its budget the following projects and requests:

- The Police Department budget has funds to purchase a surplus four-wheel drive vehicle to have for use when the city streets are impassable due to weather conditions. We will review our options on another new cruiser after the sale of the surplus police vehicles. Funds are also included for new duty belts for each officer.
- The City Hall office budget includes funds to purchase a larger fireproof cabinet, a computer backup system, and general maintenance, i.e. painting for the city hall building.
- Public Works budget has funds for equipment purchases including a chop saw, submerge pump, new snow plow, salt brine tank and spray, new locator, laptop computer and internet connection at the maintenance building, for vehicle maintenance, and changing our utility billing system.
- The Waste Water Rehab Project should be closed out this year, and the remaining funds will be used to change out the pump station for the Wilson subdivision and to purchase a new vehicle for the sewer department.
- Capital projects for Public Works will consist of funding to rotate out an older vehicle, to remove the Compton house, for a new structure for storage, parking, etc., and continuing replacement of older water meters with the radio-read meters.
- The new bridge on Old Glasgow Street will be finished by the state, which will open that area up again with traffic, and the moving of utilities on the bridges work on Highway 163 should be started and completed during this fiscal year. The North Edmonton By-Pass will remain a priority in our road plan.
- The Parks Department budget has funds for a surplus vehicle to replace the vehicle they have had since the park was started. If any funds are left, the purchase of new picnic tables for the shelters are needed and will be considered.
- The City has met with Superintendent Lile, Athletic Director Distefano, and former AD Harbison concerning the High School Head Coaches being over the makeup of teams, rules, and overseeing their sport. The City would still be in charge of the administrative side, i.e. signups, scheduling, concessions workers, gate workers, umpires, etc. The coaches would be contract labor, and their compensation would be based on the number of participants in their sport. This should eliminate the problems that we have encountered in the past. The success of our programs will lead to success of the high school programs. Edmonton Memorial Park was built for all to use and enjoy and has the best facilities anywhere. This change will be implemented in stages, with basketball this winter and other sports to follow. This new system will be evaluated after one year, and we will see if this is working the way we envision it.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THE OUTLOOK FOR NEXT YEAR - CONCLUDED

- The City will continue to honor our commitments to the various organizations that depend on City funding. We will monitor those closely to make sure they are using these funds wisely. The Hospice Program, Historical Society, and Chamber of Commerce contributions remain in place.
- The City has included a 2% raise across the board for full time employees.
- The City is considering having their own garbage pickup through the Public Works Department. With our own pickup, we could keep those funds here in Edmonton and Metcalfe County instead of sending them out of state. The City has not included any funding or expenditures into the budget. The Council was asked to investigate if the City could provide this service at a reasonable cost to the citizens.
- Annexation will be addressed in this fiscal year by deciding whether to expand our city limits in some areas, especially at the new interchange and existing interchange. Future growth will happen at some point, and the City needs to be prepared for that.

ADDITIONAL INFORMATION

If you have any questions, or need additional information about these financial statements, please contact Mayor Howard Garrett.

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT ASSETS				
Cash on Hand and in Banks	704,567	2,635,581	3,340,148	73,925
Investments	-	383,435	383,435	-
Receivables, Net of Allowance for Uncollectible Accounts				
Property Taxes	4,158	-	4,158	-
Trade Accounts	-	176,944	176,944	-
Internal Receivable	453,898	439,674	893,572	-
Due from Other Governments				
State of Kentucky	4,253	-	4,253	-
Metcalfe County Fiscal Court	-	165,205	165,205	-
Metcalfe County Board of Education	40,000	-	40,000	-
Barren Metcalfe EMS-911	1,000	-	1,000	-
Total Current Assets	1,207,876	3,800,839	5,008,715	73,925
RESTRICTED ASSETS				
Cash and Savings				
Sinking Funds	70,008	244,380	314,388	-
Funded Depreciation	-	367,108	367,108	-
Other Cash	-	339,431	339,431	-
Total Restricted Assets	70,008	950,919	1,020,927	0
NON-CURRENT ASSETS				
Capital Assets				
Land	1,728,689	89,863	1,818,552	187,097
Other Capital Assets, Net of Accumulated Depreciation	1,385,687	11,927,035	13,312,722	1,921,391
Deposits	-	85	85	-
Total Non-Current Assets	3,114,376	12,016,983	15,131,359	2,108,488
TOTAL ASSETS	4,392,260	16,768,741	21,161,001	2,182,413
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	113,553	83,828	197,381	-

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2015**

LIABILITIES	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT LIABILITIES				
Accounts Payable	8,190	117,525	125,715	-
Payroll Withholdings	29,259	-	29,259	-
Accrued Expenses				
School Tax	-	4,938	4,938	-
Sales Tax	-	2,328	2,328	-
Vacation Accrual	27,464	26,062	53,526	-
Meter Deposits	-	392,163	392,163	-
Current Portion of				
Loans Payable	-	85,578	85,578	13,372
Leases Payable	104,531	-	104,531	-
Internal Payable	-	893,572	893,572	-
Total Current Liabilities	169,444	1,522,166	1,691,610	13,372
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	-	49,454	49,454	-
Current Portion of Revenue Bonds	-	100,800	100,800	-
Total Liabilities Payable From Restricted Assets	0	150,254	150,254	0
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing				
Revenue Bonds	-	2,718,643	2,718,643	-
Loans Payable				
Kentucky League of Cities	-	181,250	181,250	-
KIA	-	146,710	146,710	-
Edmonton State Bank	-	-	-	130,205
Leases Payable				
General Obligation				
Municipal Park	664,289	-	664,289	-
Special Obligation	76,554	-	76,554	-
KADD - City Hall	190,000	-	190,000	-
Net Pension Liability	817,104	630,668	1,447,772	-
Total Non-Current Liabilities	1,747,947	3,677,271	5,425,218	130,205
TOTAL LIABILITIES	1,917,391	5,349,691	7,267,082	143,577
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	81,752	70,227	151,979	-

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONCLUDED
JUNE 30, 2015**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Invested in Capital Assets, Net of Related Debt	2,079,002	8,734,463	10,813,465	1,964,911
Restricted for				
Debt Service	70,008	611,488	681,496	-
Sewer Project	-	2	2	-
Other	-	339,429	339,429	-
Special Revenue Funds	56,585	-	56,585	-
Public Services	24,656	-	24,656	-
Public Safety	126	-	126	-
Parks and Recreation	100,947	-	100,947	-
Unrestricted	<u>175,346</u>	<u>1,747,269</u>	<u>1,922,615</u>	<u>73,925</u>
TOTAL NET POSITION	<u>2,506,670</u>	<u>11,432,651</u>	<u>13,939,321</u>	<u>2,038,836</u>

See accompanying notes to financial statements.

Program Revenues
Capital Grants
and
Contributions

Net (Expense) Revenue

1,500	(189,155)
-	(427,867)
-	(25,658)
-	(72,320)
-	(1,680)
-	1,909
-	(265,624)
-	(50,327)
<u>1,500</u>	<u>(1,030,722)</u>
110,956	133,404
752,518	753,164
-	<u>62,269</u>
<u>863,474</u>	<u>948,837</u>
<u>864,974</u>	<u>(81,885)</u>
-	<u>30,757</u>
<u>0</u>	<u>30,757</u>

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2015**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue	(1,030,722)	948,837	(81,885)	30,757
General Revenues				
Taxes				
Property Taxes	85,093	-	85,093	-
Occupational Licenses and Tax	884,840	-	884,840	-
Insurance Premiums Tax	155,258	-	155,258	-
Franchise Fees	9,242	-	9,242	-
Investment Income	4,516	19,265	23,781	19
Sale of Surplus Property	3,250	-	3,250	-
Miscellaneous	1,744	-	1,744	55
Transfers	-	-	-	-
Total General Revenues and Transfers	1,143,943	19,265	1,163,208	74
CHANGES IN NET POSITION	113,221	968,102	1,081,323	30,831
NET POSITION-BEGINNING-RESTATED	2,393,449	10,464,549	12,857,998	2,008,005
NET POSITION - ENDING	2,506,670	11,432,651	13,939,321	2,038,836

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash on Hand and in Banks	652,235	52,332	704,567
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	4,158	-	4,158
Due from Other Funds	453,898	-	453,898
Due from Other Governments	41,000	4,253	45,253
Restricted Assets - Cash and Savings			
Sinking Funds	<u>70,008</u>	<u>-</u>	<u>70,008</u>
TOTAL ASSETS	<u>1,221,299</u>	<u>56,585</u>	<u>1,277,884</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	8,191	-	8,191
Payroll Withholdings	29,259	-	29,259
Accrued Expenses - Vacation	<u>27,464</u>	<u>-</u>	<u>27,464</u>
Total Liabilities	<u>64,914</u>	<u>0</u>	<u>64,914</u>
 FUND BALANCES			
Restricted	70,008	56,585	126,593
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,086,377</u>	<u>-</u>	<u>1,086,377</u>
Total Fund Balances	<u>1,156,385</u>	<u>56,585</u>	<u>1,212,970</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,221,299</u>	<u>56,585</u>	<u>1,277,884</u>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances – Total Governmental Funds	1,212,970
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets of \$5,283,683, net of accumulated depreciation of (\$2,169,307), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	3,114,376
Long-term liabilities of (\$1,035,374) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	(1,035,374)
The City of Edmonton's share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the County Employees Retirement System pension plan are not recorded in the governmental funds, but are recorded in the Statement of Net Position.	(<u>785,302</u>)
Net Position of Governmental Activities	<u>2,506,670</u>

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, 2015**

	General Fund	Special Revenue Funds	Total Governmental Funds
REVENUES			
Property Taxes	85,093	-	85,093
Occupational Licenses and Tax	884,840	-	884,840
Insurance Premiums Tax	155,258	-	155,258
Franchise Fees	9,242	-	9,242
Intergovernmental Revenue	45,220	38,574	83,794
Penalties and Fines	126	-	126
Parks and Recreation	57,013	-	57,013
Other	1,744	-	1,744
Total Revenues	<u>1,238,536</u>	<u>38,574</u>	<u>1,277,110</u>
EXPENDITURES			
Current			
General Government	167,954	-	167,954
Public Safety			
Police	465,143	-	465,143
Fire	25,658	-	25,658
E911	72,320	-	72,320
Street Department	-	38,345	38,345
Parks and Recreation	265,702	-	265,702
Debt Service			
Principal	183,378	-	183,378
Interest	50,327	-	50,327
Agent Fees	6,753	-	6,753
Total Expenditures	<u>1,237,235</u>	<u>38,345</u>	<u>1,275,580</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,301</u>	<u>229</u>	<u>1,530</u>
OTHER FINANCING SOURCES			
Interest Income	4,477	39	4,516
Surplus Property Sales	3,250	-	3,250
Grant Proceeds	1,500	-	1,500
Total Other Financing Sources	<u>9,227</u>	<u>39</u>	<u>9,266</u>
NET CHANGES IN FUND BALANCES	10,528	268	10,796
FUND BALANCES - BEGINNING	<u>1,145,857</u>	<u>56,317</u>	<u>1,202,174</u>
FUND BALANCES - ENDING	<u>1,156,385</u>	<u>56,585</u>	<u>1,212,970</u>

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, 2015**

Net Changes in Fund Balances – Total Governmental Funds **10,796**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$93,449) exceeded capital outlays in the current period. See Note 3 for additional details. (93,449)

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. The amount of debt payments was \$183,378. See Note 3 for additional details. 183,378

Changes in the City of Edmonton's share of net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds, but are reported in the statement of activities. 12,496

Change in Net Position of Governmental Activities **113,221**

See accompanying notes to financial statements.

LIABILITIES AND FUND EQUITY	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CURRENT LIABILITIES				
Accounts Payable	47,122	51,125	19,278	117,525
Accrued Expenses				
School Tax	2,499	-	2,439	4,938
Sales Tax	1,092	170	1,066	2,328
Vacation Accrual	8,926	165	16,971	26,062
Meter Deposits	248,612	-	143,551	392,163
Current Portion of Loans Payable	18,495	-	67,083	85,578
Internal Payable	550,120	312,286	31,166	893,572
Total Current Liabilities	876,866	363,746	281,554	1,522,166
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	47,343	2,111	-	49,454
Current Portion of Revenue Bonds	86,600	14,200	-	100,800
Total Liabilities Payable From Restricted Assets	133,943	16,311	0	150,254
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing Revenue Bonds Payable	1,941,143	777,500	-	2,718,643
Loans Payable				
Kentucky League of Cities	-	-	181,250	181,250
KIA	146,710	-	-	146,710
Net Pension Liability	298,016	44,219	288,433	630,668
Total Non-Current Liabilities	2,385,869	821,719	469,683	3,677,271
TOTAL LIABILITIES	3,396,678	1,201,776	751,237	5,349,691
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	33,185	4,924	32,118	70,227
NET POSITION				
Invested Capital Assets, Net of Realated Debt	4,692,966	2,771,445	1,270,052	8,734,463
Restricted for				
Debt Service	541,191	70,297	-	611,488
Sewer Project	-	2	-	2
Other	339,429	-	-	339,429
Unrestricted (Deficit)	954,054	(146,545)	939,760	1,747,269
TOTAL NET POSITION	6,527,640	2,695,199	2,209,812	11,432,651

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
OPERATING REVENUES				
Charges for Services	1,415,578	216,316	1,253,569	2,885,463
Miscellaneous	48,799	11,320	17,013	77,132
Total Operating Revenues	<u>1,464,377</u>	<u>227,636</u>	<u>1,270,582</u>	<u>2,962,595</u>
OPERATING EXPENSES				
Salaries and Wages	230,807	31,314	218,793	480,914
Gas Purchased	-	-	675,525	675,525
Water Purchased	483,813	-	-	483,813
Utilities and Telephone	44,604	44,221	6,843	95,668
Materials and Supplies	84,768	27,830	26,662	139,260
Auto Expense	29,454	971	20,821	51,246
Insurance	89,228	12,333	97,793	199,354
Postage and Freight	8,018	7	9,036	17,061
Depreciation	287,547	44,161	57,141	388,849
Legal and Accounting	9,279	9,966	8,909	28,154
Payroll Taxes and Retirement	50,682	7,331	49,434	107,447
Miscellaneous Expenses	17,089	17,189	24,650	58,928
Bad Debt Expense	9,160	2,123	2,086	13,369
Total Operating Expenses	<u>1,344,449</u>	<u>197,446</u>	<u>1,197,693</u>	<u>2,739,588</u>
OPERATING INCOME	<u>119,928</u>	<u>30,190</u>	<u>72,889</u>	<u>223,007</u>
NON-OPERATING REVENUES (EXPENSES)				
Grant Income	110,956	752,518	-	863,474
Interest Income	11,086	1,353	6,826	19,265
Bond Interest	(97,480)	(29,544)	-	(127,024)
Loan Interest	-	-	(9,388)	(9,388)
Loan Fees	-	-	(1,232)	(1,232)
Total Non-Operating Revenues (Expenses)	<u>24,562</u>	<u>724,327</u>	<u>(3,794)</u>	<u>745,095</u>
INCREASE IN NET POSITION	144,490	754,517	69,095	968,102
NET POSITION - BEGINNING - RESTATED	<u>6,383,150</u>	<u>1,940,682</u>	<u>2,140,717</u>	<u>10,464,549</u>
NET POSITION - ENDING	<u>6,527,640</u>	<u>2,695,199</u>	<u>2,209,812</u>	<u>11,432,651</u>

See accompanying notes to financial statements.

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	119,928	30,190	72,889	223,007
Adjustments for Items not Providing or Using Cash				
Depreciation	287,547	44,161	57,141	388,849
(Increase) Decrease in				
Receivables, Net of Allowance				
Trade Accounts	5,288	478	97,469	103,235
Restricted Assets - Cash and Savings				
Sinking Funds	58,189	(37,558)	-	20,631
Funded Depreciation Funds	(16,873)	(2,781)	-	(19,654)
Other Cash	(1,732)	(1)	(1,721)	(3,454)
Increase (Decrease) in				
Accounts Payable	(2,895)	48,936	(135,296)	(89,255)
Accrued Expenses				
School Tax	(1,427)	-	(974)	(2,401)
Sales Tax	417	(128)	(5,120)	(4,831)
Vacation Accrual	(4,971)	(432)	2,705	(2,698)
Meter Deposits	6,571	-	1,971	8,542
Due to Other Funds	(75,000)	-	-	(75,000)
Pension Deferred Inflows/Outflows	(7,627)	(615)	(3,836)	(12,078)
Net Cash Provided by Operating Activities	<u>367,415</u>	<u>82,250</u>	<u>85,228</u>	<u>534,893</u>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. There are two methods of Presentation of Component Units:

BLENDED COMPONENT UNITS

Blended component units, although legally separate entities from the City, are in substance part of the City's operations, so data from the component unit is combined with data of the City. There are no blended component units for the City of Edmonton.

DISCRETELY PRESENTED COMPONENT UNITS

Discretely presented component units are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the City. Only the discretely presented component unit disclosures considered essential to the fair presentation of the reporting entity's financial statements are presented in these notes. 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 position 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.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONCLUDED

Fund Financial Statements

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.

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 of America 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

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 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 special revenue funds:

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

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

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 POSITION 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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Cash and Investments - Concluded

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 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.

Deferred Outflows and Inflows of Resources

As defined by GASB Concept Statement No. 4, *Elements of Financial Statements*, deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that is applicable to a future reporting period, respectively.

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element,

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Deferred Outflows and Inflows of Resources - Concluded

deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources: The City reports *deferred pension charges* in its statements of net position in connection with its participation in the County Employees Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has one type of deferred inflows of resources: The City reports *deferred pension credits* in its statements of net position in connection with its participation in the County Employees Retirement System. These *deferred pension credits* are amortized in a systematic and relational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position relates to those assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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, 2015.

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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONCLUDED

Fund Balances - Governmental Funds - Concluded

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.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2015.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The City did not have any assigned resources as of June 30, 2015.

Unassigned – This classification includes amounts that are available for any purpose. At June 30, 2015, the City had the remaining fund balance in the general fund as unassigned.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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.

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 \$83,145 at June 30, 2015.

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.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

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.

PENSIONS

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for the pension plan in which it participates, which represents the City's proportionate share of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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, 2015. 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, 2015

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, 2015, City of Edmonton, Kentucky's (book) deposits were \$4,744,410, and the bank balance was \$4,751,069 at Edmonton State Bank. The FDIC insures demand deposits under one custodian up to \$250,000 at one institution, and time deposits are insured for another \$250,000. Bond interest and sinking fund accounts are insured up to \$250,000 per beneficial interest. At June 30, 2015, the City had funds of \$4,001,069 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 \$73,925. 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, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS – CONTINUED

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 types of investment instruments as listed on the following page.

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.
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.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS – CONCLUDED

Concentration of Credit Risk - Concluded

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.

Cash Flow Statement

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, 2015, taxes were levied on November 1, 2014, and due and payable on February 28, 2015. 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 .083 per \$100 of assessed valuation of real property and .084 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, 2015, the receivable for property taxes was \$4,158.

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.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

RECEIVABLES - CONTINUED

Enterprise Fund Receivables and Uncollectible Accounts - Concluded

Following is a summary of the accounts receivable and allowances for uncollectible accounts as of June 30, 2015:

	Water	Natural Gas	Sewer	Total Enterprise Funds
Accounts Receivable	213,051	86,709	34,794	334,554
Allowance for Uncollectibles	<u>83,049</u>	<u>59,414</u>	<u>15,147</u>	<u>157,610</u>
Accounts Receivable, Net	<u>130,002</u>	<u>27,295</u>	<u>19,647</u>	<u>176,944</u>

RESTRICTED ASSETS

Certain fund assets are restricted for construction funded through long-term debt. Net position restricted for debt service includes 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, 2015

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.

	Balance 6-30-14	Additions	Deletions	Balance 6-30-15
PRIMARY GOVERNMENT				
Governmental Activities				
Land	1,728,689	-	-	1,728,689
Land Improvements	7,700	-	-	7,700
Buildings and Improvements	1,335,868	-	-	1,335,868
Equipment and Furnishings	303,098	-	-	303,098
Vehicles	668,196	-	-	668,196
Streets and Sidewalks	287,979	-	-	287,979
Municipal Park	952,153	-	-	952,153
	<u>5,283,683</u>	-	-	<u>5,283,683</u>
Less Accumulated Depreciation	<u>2,075,859</u>	<u>93,448</u>	-	<u>2,169,307</u>
Governmental Activities Capital Assets, Net	<u>3,207,824</u>	<u>(93,448)</u>	<u>-</u>	<u>3,114,376</u>
Business-type Activities				
Land	89,863	-	-	89,863
Buildings and Improvements	18,143,891	901,894	-	19,045,785
Equipment	605,885	29,810	-	635,695
Vehicles	243,869	-	-	243,869
	<u>19,083,508</u>	<u>931,704</u>	-	<u>20,015,212</u>
Less Accumulated Depreciation	<u>7,609,465</u>	<u>388,849</u>	-	<u>7,998,314</u>
Business-type Activities Capital Assets, Net	<u>11,474,043</u>	<u>542,855</u>	<u>-</u>	<u>12,016,898</u>
COMPONENT UNIT				
Industrial Development				
Land	187,097	-	-	187,097
Buildings	755,413	-	-	755,413
Electrical Transmission Line	1,647,755	-	-	1,647,755
	<u>2,590,265</u>	-	-	<u>2,590,265</u>
Less Accumulated Depreciation	<u>425,517</u>	<u>56,260</u>	-	<u>481,777</u>
Industrial Development Capital Assets, Net	<u>2,164,748</u>	<u>(56,260)</u>	<u>-</u>	<u>2,108,488</u>

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

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	40,875
Streets	3,217
Parks and Recreation	<u>49,356</u>

Total Depreciation Expense – Governmental Activities **93,448**

Business-type Activities

Water	287,547
Sewer	44,161
Natural Gas	<u>57,141</u>

Total Depreciation Expense – Business-type Activities **388,849**

TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT **482,297**

COMPONENT UNIT

Industrial Development	<u>56,260</u>
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LIABILITIES

CAPITAL LEASES - GOVERNMENTAL ACTIVITIES

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, 2015, was \$735,602.

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, 2015, was \$84,772.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

CAPITAL LEASES - GOVERNMENTAL ACTIVITIES - CONCLUDED

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, 2015, was \$215,000.

LOANS PAYABLE - BUSINESS-TYPE ACTIVITIES

Kentucky Infrastructure Authority

There is a loan payable to Kentucky Infrastructure Authority dated July 1, 2014 in the amount of \$174,907. The loan bears interest at 0.75% and matures on June 1, 2024. Proceeds of the loan were used for water line extensions on Chess Jessie Road. There is a Memorandum of Agreement between the City of Edmonton and Metcalfe County Fiscal Court, who is making the payments. There is a receivable from Metcalfe County Fiscal Court equal to the amount of the note. As of June 30, 2015, the balance of the note and interest was \$165,205.

Kentucky League of Cities

There is a loan payable to Kentucky League of Cities. Proceeds from the loan are being used to finance extensions to the gas system of the City. The loan balance was \$248,333 as of June 30, 2015. The interest is 4.18% per annum and is payable in monthly installments of principal and interest through January 1, 2019.

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, 2015:

1980 Issue	23,000
1982 Issue - Series A	50,500
1982 Issue - Series C	10,000
1984 Issue	293,943

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 \$238,000 due as of June 30, 2015.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

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 \$229,000 due as of June 30, 2015.

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 \$328,000 due as of June 30, 2015.

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 \$159,300 due as of June 30, 2015.

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 \$91,700 due as of June 30, 2015.

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 \$696,000 due as of June 30, 2015.

2013 Issue

The water and sewer revenue bond series of 2013 was issued to RD on August 12, 2014, in the amount of \$700,000. The proceeds were used to retire interim financing provided for a sewer rehab project. The bond matures each January 1 beginning in 2016 and ending in 2053. The bond bears interest at the rate of 2.125%, with \$700,000 due as of June 30, 2015.

FUNDS

There were heretofore created in the Prior Bond Ordinance the following funds and accounts for the City of Edmonton:

- a) Revenue Fund
- b) First Lien Sinking Fund
- c) Second Lien Sinking Fund

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

- d) Depreciation Fund
- e) Operation and Maintenance Fund

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

Flow of Funds

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

There shall be transferred from the revenue fund and deposited into the first lien sinking fund on or before the 20th day of each month, for payment of interest on and principal of the First Lien Bonds, a sum equal to the total of the following:

1. A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on all First Lien Bonds then outstanding, plus
2. A sum equal to one-twelfth (1/12) of the principal of all of the First Lien Bonds maturing on the next succeeding principal payment date.

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 First Lien Bonds.

Second Lien Sinking Fund

At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Second Lien Sinking Fund an amount sufficient (currently estimated at \$35,000) to provide for capitalized interest during the construction of the Project, if

**CITY OF EDMONTON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

Second Lien Sinking Fund - Continued

and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

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 20th day of each month, for payment of interest on and principal of the Second Lien Bonds and the Current Bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Second Lien Bonds and the Current Bonds then outstanding, plus
2. An amount equal to one-twelfth (1/12) of the principal of any Second Lien bonds and Current Bonds maturing on the next succeeding principal payment date.

The Second Lien Sinking Fund is hereby pledged for the payment of the interest and the principal of the Second Lien Bonds and the Current Bonds, but subject to the vested rights and priorities of the First Lien Bonds.

Annual Debt Service Requirement	215,408
Actual Transfers	<u>195,317</u>
Transfers Over (Under) Requirement	(20,091)
Beginning Balance – Sinking Funds	<u>265,011</u>
Ending Balance – Sinking Funds	<u>244,380</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, 2016	114,608	100,800	215,408
June 30, 2017	110,063	106,600	216,663
June 30, 2018	105,243	105,900	211,143
June 30, 2019	100,468	110,800	211,268
June 30, 2020	<u>95,471</u>	<u>115,600</u>	<u>211,071</u>
	<u>525,853</u>	<u>539,700</u>	<u>1,065,553</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

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, Series 2002 Bonds, and Series 2013 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. There shall next be transferred the sum of at least \$230 each month so long as the Series 2013 Bonds remain outstanding until a sum of at least \$27,034 is reached and maintained. As of June 30, 2015, the depreciation fund had a balance of \$367,108, 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, the Series 2002 Bonds, and the Series 2013 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, the Series 2002 Bonds, and the Series 2013 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.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

Operation and Maintenance Fund - Concluded

All required transfers above shall be made on the 1st 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 monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the City Council. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U. S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the City on deposit in the Depository Bank shall cause the total deposits of the City in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U. S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

Any investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the Funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All monies held in any of the Funds shall be kept apart from all other City funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

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

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONCLUDED

Monthly Principal and Interest Payments if Requested by the RD - Concluded

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. Also, so long as any of the Series 2013 Bonds are held or insured by USDARD, the City shall, if requested by USDARD, make the payments required in monthly installments to USDARD or to the insured owners of the Series 2013 Bonds.

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. The Series 2013 Bonds shall rank and be payable on a parity with said outstanding Second Lien Bonds from the gross income and revenues of the System, subject to the priority of the outstanding First 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 monthly installments of \$1,513 and bears interest at 3.5% per annum. The balance at June 30, 2015, was \$143,577.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

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, 2015:

	Balance 6-30-14	Issued	Retired	Balance 6-30-15	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
General Obligation Leases					
Musco Lighting	52,201	-	52,201	-	-
Municipal Park	803,459	-	67,857	735,602	71,313
Special Obligation Lease					
Municipal Park	92,592	-	7,820	84,772	8,218
KADD - City Hall	235,000	-	20,000	215,000	25,000
	<u>1,183,252</u>	<u>0</u>	<u>147,878</u>	<u>1,035,374</u>	<u>104,531</u>
General Obligation Bond	<u>35,500</u>	<u>-</u>	<u>35,500</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>1,218,752</u>	<u>0</u>	<u>183,378</u>	<u>1,035,374</u>	<u>104,531</u>
Business-type Activities					
Loans Payable					
Kentucky Rural Water Finance Corporation					
	620,000	45,000	665,000	-	-
KY Infrastructure Authority					
	-	183,597	18,392	165,205	18,495
Kentucky League of Cities					
	313,333	-	65,000	248,333	67,083
	<u>933,333</u>	<u>228,597</u>	<u>748,392</u>	<u>413,538</u>	<u>85,578</u>
Revenue Bonds Payable					
1980 Issue	27,000	-	4,000	23,000	4,000
1982 Issue - Series A	57,500	-	7,000	50,500	7,500
1982 Issue - Series C	14,500	-	4,500	10,000	5,000
1984 Issue	315,943	-	22,000	293,943	23,000
1990 Issue	248,000	-	10,000	238,000	10,000
1993 Issue	237,000	-	8,000	229,000	8,000
1995 Issue	337,000	-	9,000	328,000	10,000
1996 Issue	164,200	-	4,900	159,300	5,100
2000 Issue	93,800	-	2,100	91,700	2,200
2002 Issue	709,000	-	13,000	696,000	14,000
2013 Issue	-	700,000	-	700,000	12,000
	<u>2,203,943</u>	<u>700,000</u>	<u>84,500</u>	<u>2,819,443</u>	<u>100,800</u>
Total Business-type Activities	<u>3,137,276</u>	<u>928,597</u>	<u>832,892</u>	<u>3,232,981</u>	<u>186,378</u>
COMPONENT UNIT					
Industrial Program					
Edmonton State Bank	184,773	-	41,196	143,577	13,372
Total Industrial Program	<u>184,773</u>	<u>0</u>	<u>41,196</u>	<u>143,577</u>	<u>13,372</u>

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2015, were as follows:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
Capital Leases			
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	117,309	28,102	145,411
June 30, 2020	122,015	22,674	144,689
June 30, 2021 - 2024	470,102	35,417	505,519
	<u>1,035,374</u>	<u>197,235</u>	<u>1,232,609</u>
Total Governmental Activities	<u>1,035,374</u>	<u>197,235</u>	<u>1,232,609</u>
Business-type Activities			
Loans Payable			
June 30, 2016	84,117	8,899	93,016
June 30, 2017	87,162	6,724	93,886
June 30, 2018	87,292	4,460	91,752
June 30, 2019	58,671	2,196	60,867
June 30, 2020	17,553	804	18,357
June 30, 2021 - 2024	71,539	1,534	73,073
	<u>406,334</u>	<u>24,617</u>	<u>430,951</u>
Revenue Bonds Payable			
June 30, 2016	100,800	114,608	215,408
June 30, 2017	106,600	110,063	216,663
June 30, 2018	105,900	105,243	211,143
June 30, 2019	110,800	100,468	211,268
June 30, 2020	115,600	95,471	211,071
June 30, 2021 - 2025	583,443	397,251	980,694
June 30, 2026 - 2030	510,300	277,023	787,323
June 30, 2031 - 2035	497,700	164,429	662,129
June 30, 2036 - 2040	301,300	84,900	386,200
June 30, 2041 - 2045	189,500	33,477	222,977
June 30, 2046 - 2050	120,000	15,988	135,988
June 30, 2051 - 2053	77,500	3,303	80,803
	<u>2,819,443</u>	<u>1,502,224</u>	<u>4,321,667</u>
Total Business-type Activities	<u>3,225,777</u>	<u>1,526,841</u>	<u>4,752,618</u>

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONCLUDED

DEBT SERVICE REQUIREMENTS - CONCLUDED

COMPONENT UNIT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Industrial Program			
June 30, 2016	13,372	4,812	18,184
June 30, 2017	13,848	4,336	18,184
June 30, 2018	14,340	3,844	18,184
June 30, 2019	14,850	3,334	18,184
June 30, 2020	15,378	2,806	18,184
June 30, 2021 - 2024	<u>71,789</u>	<u>5,582</u>	<u>77,371</u>
Total Component Unit	<u>143,577</u>	<u>24,714</u>	<u>168,291</u>

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, 2015, are listed on the following page.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONCLUDED

BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - CONCLUDED

RECEIVABLES AND PAYABLES - CONCLUDED

	Internal Receivables	Internal Payables
PRIMARY GOVERNMENT		
Governmental-type Activities		
General Fund	453,898	-
Business-type Activities		
Water	312,286	550,120
Natural Gas	127,388	31,166
Sewer	-	<u>312,286</u>
	<u>893,572</u>	<u>893,572</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.

4. RETIREMENT PLAN

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

The City of Edmonton, Kentucky 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. The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report is available at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, Premier Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Funding for the Plan is provided through payroll withholdings and participating employer contributions. Hazardous and non-hazardous employees hired before September 1, 2008, are required to contribute 8% and 5%, respectively; those hired after September 1, 2008, are required to contribute 9% and 6%, respectively. The City is required to contribute 34.31% and 17.67%, respectively, of regular covered employee compensation for the year ended June 30, 2015. Benefits under the Plan will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

4. RETIREMENT PLAN COMMITMENTS - CONTINUED

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

The payroll for hazardous and non-hazardous employees covered by CERS for the year ended June 30, 2015, was \$248,582 and \$634,681, respectively; the City's total payroll was \$914,790. The contribution payments for the year ended June 30, 2015, were \$250,884, which consisted of \$197,381 from the City and \$53,503 from employees. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method.

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

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability was \$1,447,772. The net pension liability for the plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2014, the City proportion was .045761% for hazardous and .027031% for non-hazardous.

For the year ended June 30, 2015, the City recognized pension expense of \$172,809. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	-	151,979
City's contributions subsequent to the measurement date	<u>197,381</u>	<u>-</u>
Total	<u>197,381</u>	<u>151,979</u>

The \$197,381 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	30,396
2017	30,396
2018	30,396
2019	30,396
2020	30,395

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015**

4. RETIREMENT PLAN COMMITMENTS - CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Projected salary increases	4.50%
Investment rate of return, net of investment expense & inflation	7.75%

Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Normal Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.5%
Private Equity	7%	11.25%
Real Estate	5%	7%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.5%
Commodities	5%	7.75%
TIPS	5%	5%
Cash	1%	3.25%
TOTAL	<u>100%</u>	

**CITY OF EDMONTON, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2015**

4. RETIREMENT PLAN COMMITMENTS - CONCLUDED

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The protection of cash flows used to determine the discount rate assumed that contribution from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of the City, calculated using the discount rates selected by CERS as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	1,882,104
Current Discount Rate	7.75%	1,447,772
1% Increase	8.75%	1,038,197

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS, included in Kentucky Retirement Systems Comprehensive Annual Financial Report.

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement health care benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

To be eligible for medical benefits, the member must have retired either for service or disability. The amount funded by the insurance fund depends on the months of service. The insurance fund shall continue the same level of coverage for a recipient who was a member of the CERS after the age of sixty-five as before the age of sixty-five, if the recipient is not eligible for Medicare coverage.

Funding Policy

The post-retirement health care provided by CERS is financed wholly or partly from funds contributed by the recipient of a retirement allowance, by the Kentucky Retirement Systems insurance fund, or by another state-administered retirement system under a reciprocal agreement. Also, any premiums collected from retirees and investment interest help with the medical expenses of the plan.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONCLUDED
JUNE 30, 2015**

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, 2015, there was one series of Kentucky Healthcare Refunding Revenue Bonds outstanding. The aggregate principal amount payable totaled \$3,907,000.

6. SUBSEQUENT EVENT - SEWER PROJECT

During March 2015, the City of Edmonton was awarded a Community Facilities Grant from USDA in the amount of \$50,000. The grant requires the City to match in the amount of \$52,824 and use it for the purchase of 4 police cruisers. The purchase of these cruisers and receipt of grant proceeds occurred in July 2015.

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, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts GAAP Basis	With Final Budget
REVENUES				
Property Taxes	94,500	94,500	85,093	(9,407)
Occupational Licenses and Tax	690,000	690,000	884,840	194,840
Insurance Premiums Tax	164,000	164,000	155,258	(8,742)
Franchise Fees	9,000	9,000	9,242	242
Intergovernmental Revenue	48,740	48,740	45,220	(3,520)
Penalties and Fines	500	500	126	(374)
Parks and Recreation	50,000	50,000	57,013	7,013
Other	1,500	1,500	1,744	244
Total Revenues	<u>1,058,240</u>	<u>1,058,240</u>	<u>1,238,536</u>	<u>180,296</u>
EXPENDITURES				
Current				
General Government	185,310	185,310	167,954	17,356
Public Safety				
Police	382,020	382,020	465,143	(83,123)
Fire	30,000	30,000	25,658	4,342
E911	72,000	72,000	72,320	(320)
Parks and Recreation	268,806	268,806	265,702	3,104
Capital Outlay	64,092	64,092	-	64,092
Debt Service				
Principal	124,424	124,424	183,378	(58,954)
Interest	47,436	47,436	50,327	(2,891)
Agent Fees	6,753	6,753	6,753	0
Total Expenditures	<u>1,180,841</u>	<u>1,180,841</u>	<u>1,237,235</u>	<u>(56,394)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(122,601)</u>	<u>(122,601)</u>	<u>1,301</u>	<u>123,902</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	7,000	7,000	4,477	(2,523)
Surplus Property Sales	-	-	3,250	3,250
Grant Proceeds	-	-	1,500	1,500
Transfers Out	(18,000)	(18,000)	-	18,000
Total Other Financing Sources (Uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>9,227</u>	<u>20,227</u>
NET CHANGE IN FUND BALANCE	<u>(133,601)</u>	<u>(133,601)</u>	<u>10,528</u>	<u>144,129</u>
FUND BALANCE - BEGINNING	<u>1,354,898</u>	<u>1,354,898</u>	<u>1,145,857</u>	<u>(209,041)</u>
FUND BALANCE - ENDING	<u>1,221,297</u>	<u>1,221,297</u>	<u>1,156,385</u>	<u>(64,912)</u>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	<u>39,011</u>	<u>39,011</u>	<u>38,574</u>	<u>(437)</u>
Total Revenues	<u>39,011</u>	<u>39,011</u>	<u>38,574</u>	<u>(437)</u>
EXPENDITURES				
Current				
Street Department	65,239	65,239	38,345	26,894
LGEA	<u>20,496</u>	<u>20,496</u>	-	<u>20,496</u>
Total Expenditures	<u>85,735</u>	<u>85,735</u>	<u>38,345</u>	<u>47,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,724)</u>	<u>(46,724)</u>	<u>229</u>	<u>46,953</u>
OTHER FINANCING SOURCES				
Interest Income	-	-	<u>39</u>	<u>(39)</u>
NET CHANGE IN FUND BALANCE	<u>(46,724)</u>	<u>(46,724)</u>	<u>268</u>	<u>46,992</u>
FUND BALANCE - BEGINNING	<u>46,724</u>	<u>46,724</u>	<u>56,317</u>	<u>9,593</u>
FUND BALANCE - ENDING	<u>0</u>	<u>0</u>	<u>56,585</u>	<u>56,585</u>

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees' Retirement System

City's proportion of the net pension liability	
Hazardous	.045761%
Non-Hazardous	.027031%
City's proportionate share of the net pension liability	
Hazardous	549,963
Non-Hazardous	876,980
City's covered-employee payroll	
Hazardous	231,825
Non-Hazardous	619,970
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	
Hazardous	237.23%
Non-Hazardous	141.55%
Plan fiduciary net position as a percentage of the total pension liability	
Hazardous	63.46%
Non-Hazardous	66.80%

(The amounts presented were determined as of June 30, 2014.)

SCHEDULE OF CITY'S CONTRIBUTIONS

County Employees' Retirement System

Contractually required contribution	197,381
Contributions in relation to the contractually required contribution	<u>197,381</u>
Contribution deficiency	<u><u>-</u></u>
City's covered-employee payroll	
Hazardous	248,582
Non-Hazardous	634,681
Contribution as a percentage of covered- employee payroll	
Hazardous	34.31%
Non-Hazardous	17.67%

(The amounts presented were determined as of June 30, 2015.)

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information:

Changes of benefit terms - None.

Changes of assumptions - None.

See independent auditor's report

SUPPLEMENTARY INFORMATION

**CITY OF EDMONTON, KENTUCKY
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 JUNE 30, 2015**

	Municipal Road Aid	LGEA	Total
ASSETS			
Cash in Banks	29,832	22,500	52,332
Due from Other Governments	<u>4,253</u>	<u>-</u>	<u>4,253</u>
TOTAL ASSETS	<u>34,085</u>	<u>22,500</u>	<u>56,585</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	-	-	0
FUND BALANCES - RESTRICTED	<u>34,085</u>	<u>22,500</u>	<u>56,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>34,085</u>	<u>22,500</u>	<u>56,585</u>

**CITY OF EDMONTON, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
REVENUES			
Intergovernmental Revenue	<u>36,665</u>	<u>1,909</u>	<u>38,574</u>
Total Revenues	<u>36,665</u>	<u>1,909</u>	<u>38,574</u>
EXPENDITURES			
Streets	38,345	-	38,345
LGEA	<u>-</u>	<u>-</u>	<u>0</u>
Total Expenditures	<u>38,345</u>	<u>0</u>	<u>38,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,680)	1,909	229
OTHER FINANCING SOURCES	<u>-</u>	<u>39</u>	<u>39</u>
NET CHANGES IN FUND BALANCES	(1,680)	1,948	268
FUND BALANCES - BEGINNING	<u>35,765</u>	<u>20,552</u>	<u>56,317</u>
FUND BALANCES - ENDING	<u>34,085</u>	<u>22,500</u>	<u>56,585</u>

**CITY OF EDMONTON, KENTUCKY
DISCRETELY PRESENTED COMPONENT UNIT
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2015**

ASSETS	
Cash on Hand and in Banks	<u>73,925</u>
TOTAL ASSETS	<u>73,925</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	0
FUND BALANCE - COMMITTED	<u>73,925</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>73,925</u>

**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, 2015**

Total Fund Balance – Component Unit	73,925
Amounts reported for <i>component unit</i> in the statement of net position are different because:	
Capital assets of \$2,590,265, net of accumulated depreciation of (\$481,777), are not current financial resources and, therefore, are not reported in the fund.	2,108,488
Long-term liabilities of (\$143,577) are not due and payable in the current period and are not reported in the fund.	<u>(143,577)</u>
Net Position of Component Unit	<u>2,038,836</u>

**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, 2015**

REVENUES	
Rent Income	56,526
Intergovernmental	<u>56,500</u>
Total Revenues	<u>113,026</u>
EXPENDITURES	
Industrial Program	19,020
Debt Service	
Principal	41,197
Interest	<u>6,988</u>
Total Expenditures	<u>67,205</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>45,821</u>
OTHER FINANCING SOURCES	
Interest Income	19
Miscellaneous	<u>55</u>
Total Other Financing Sources	<u>74</u>
NET CHANGE IN FUND BALANCE	45,895
FUND BALANCE - BEGINNING	<u>28,030</u>
FUND BALANCE - ENDING	<u>73,925</u>

**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, 2015**

Net Change in Fund Balance – Component Unit **45,895**

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 costs of these outlays are allocated over their estimated useful lives and reported as depreciation expense. The amount of depreciation expense is (\$56,261) in the current period. See Note 3 for additional details. (56,261)

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. The amount of debt payments is \$41,197. See Note 3 for additional details. 41,197

Change in Net Position of Component Unit **30,831**

**CITY OF EDMONTON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Agency/Program Title	Federal CFDA Number	Program Award Amount	Federal Expenditures
Department of Agriculture			
Rural Development			
Direct Program:			
Water and Waste Program Cluster			
Water and Waste Disposal Systems for Rural Communities			
RD-Loan	10.760	700,000	80,000
Grant	10.760	300,000	<u>132,006</u>
Total Department of Agriculture			<u>212,006</u>
Department of Housing and Urban Development			
Kentucky Department of Local Government			
Direct Program:			
Community Development Block Grant			
Grant #11D-041	14.228 *	1,000,000	<u>620,512</u>
Total Department of Housing and Urban Development			<u>620,512</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>832,518</u></u>

*Denotes Major Federal Program

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF EDMONTON, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edmonton, Kentucky under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

3. SUB-RECIPIENTS

The City has no sub-recipients for the fiscal year ended June 30, 2015.

4. LOANS

At June 30, 2015, \$700,000 of the \$700,000 Rural Development loan was outstanding.

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 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, 2015, 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 February 20, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control that we consider to be a material weakness. We have described the deficiency in the accompanying schedule of findings and questioned costs as finding 2015-1.

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*.

City of Edmonton, Kentucky's Response to Findings

City of Edmonton, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Edmonton, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


Certified Public Accountants

February 20, 2016

TAYLOR, POLSON & COMPANY, PSC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
Edmonton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited City of Edmonton, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Edmonton, Kentucky's major federal programs for the year ended June 30, 2015. City of Edmonton, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Edmonton, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Edmonton, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Edmonton, Kentucky's compliance.

Honorable Mayor and
Members of the City Council
Edmonton, Kentucky

Opinion on Each Major Federal Program

In our opinion, City of Edmonton, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of City of Edmonton, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Edmonton, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Edmonton, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants

February 20, 2016

**CITY OF EDMONTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of City of Edmonton, Kentucky were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards**. One material weakness is reported.
3. No instances of noncompliance material to the financial statements of the City of Edmonton, Kentucky, which would be required to be reported in accordance with **Government Auditing Standards** were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**.
5. The auditor's report on compliance for major federal award programs expressed an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the City of Edmonton, Kentucky, reported in this schedule.
7. The following program was tested as a major program:

Program	CFDA Number
Department of Housing and Urban Development Kentucky Department of Local Government Direct Program Community Development Block Grant	14.228

8. The threshold used for distinguishing between Type A and B Programs was \$300,000.
9. The City of Edmonton, Kentucky, did not qualify as a low-risk auditee.

**CITY OF EDMONTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2015**

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

2015-1 Accurate Presentation of Financial Information

Condition: The City lacks an accounting professional who can accurately present the financial statements in accordance with generally accepted accounting principles.

Criteria: In order to present financial statements in accordance with generally accepted accounting principles, the City should make certain adjustments throughout the year for fixed assets, depreciation, and other asset and liability accounts.

Cause: Due to its relatively small size, the City does not employ an accounting professional with the knowledge needed to identify which areas are in need of adjustments.

Effect: Because of the failure to make certain adjustments, the financial reporting of assets, liabilities, and net position may be over- or understated.

Recommendation: The City needs to review the financial statements and general ledger to ensure that all accounts appear reasonable and appropriate, which includes making certain adjusting journal entries. The City Clerk needs additional training in the areas of accounting and financial statement presentation.

Views of Responsible Officials and Planned Corrective Actions: The City of Edmonton, Kentucky agrees with the findings and will seek additional training for the City Clerk.