

CITY OF EDMONTON, KENTUCKY

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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

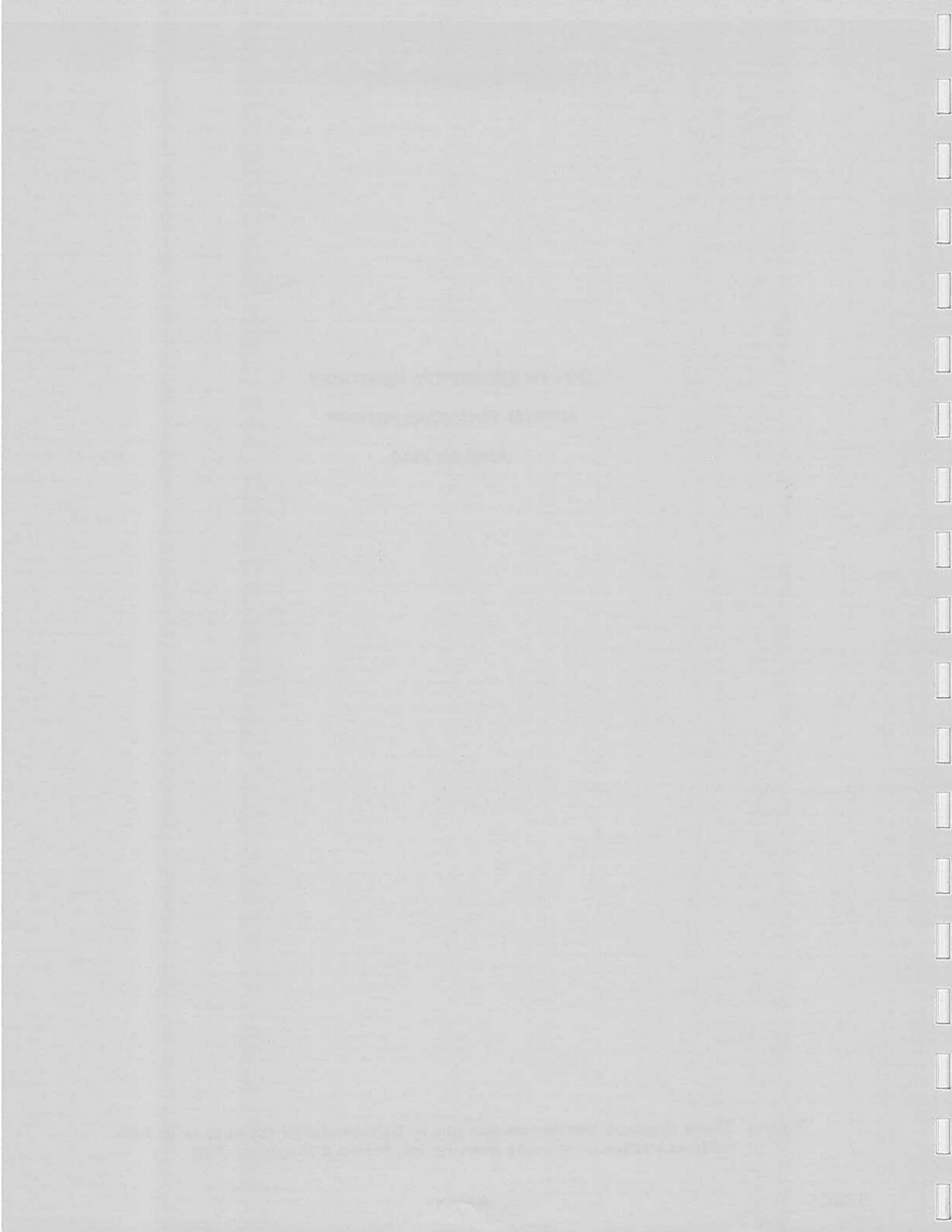


TABLE OF CONTENTS

	PAGE
DIRECTORY	4
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	5 – 7
MANAGEMENT'S DISCUSSION AND ANALYSIS	8 – 19
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	20 – 22
STATEMENT OF ACTIVITIES	23 – 25
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	27
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	29
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	30 – 31
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	32
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	33 – 34
NOTES TO THE FINANCIAL STATEMENTS	35 – 62
REQUIRED SUPPLEMENTARY INFORMATION	63
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	
GENERAL FUND	64
SPECIAL REVENUE FUNDS	65
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION	66 – 67

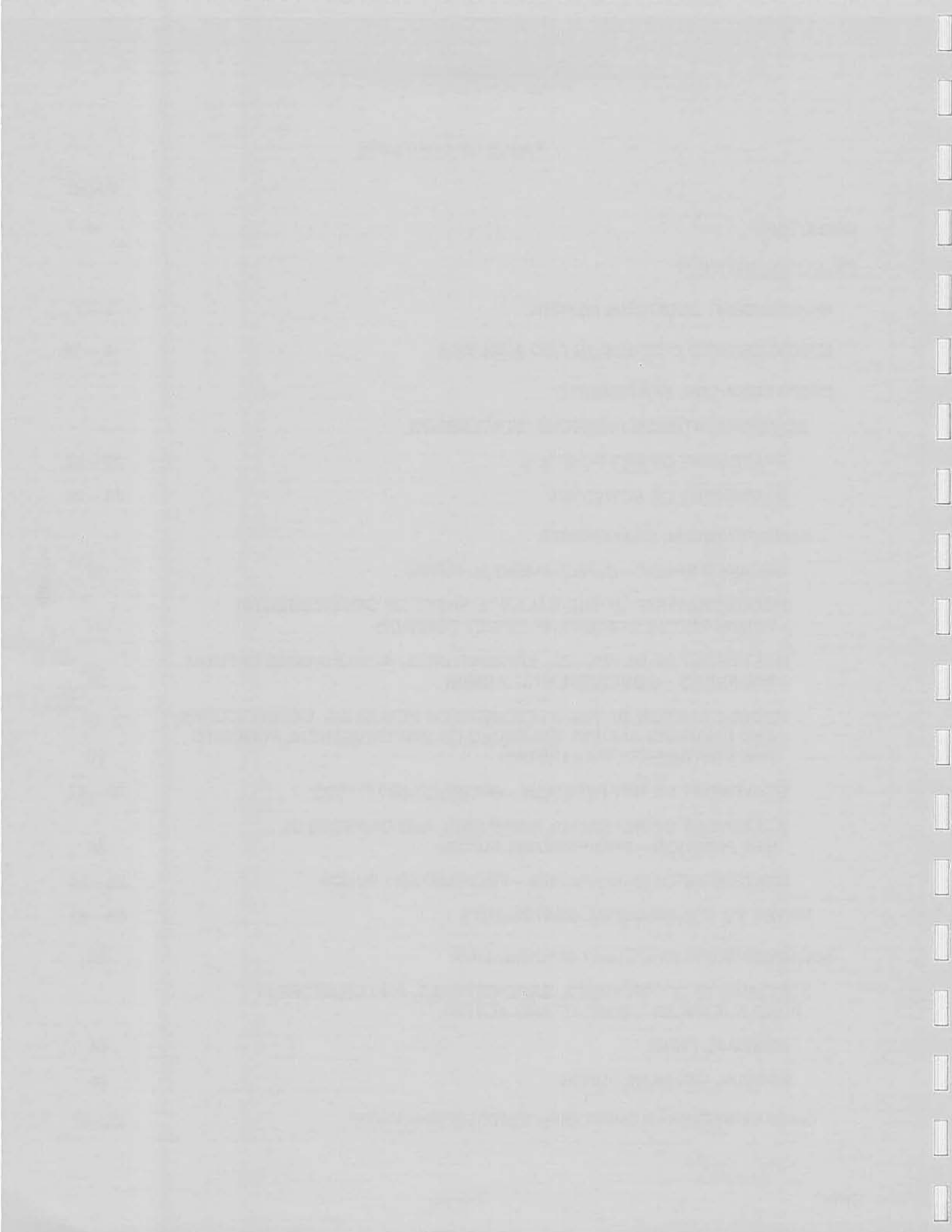
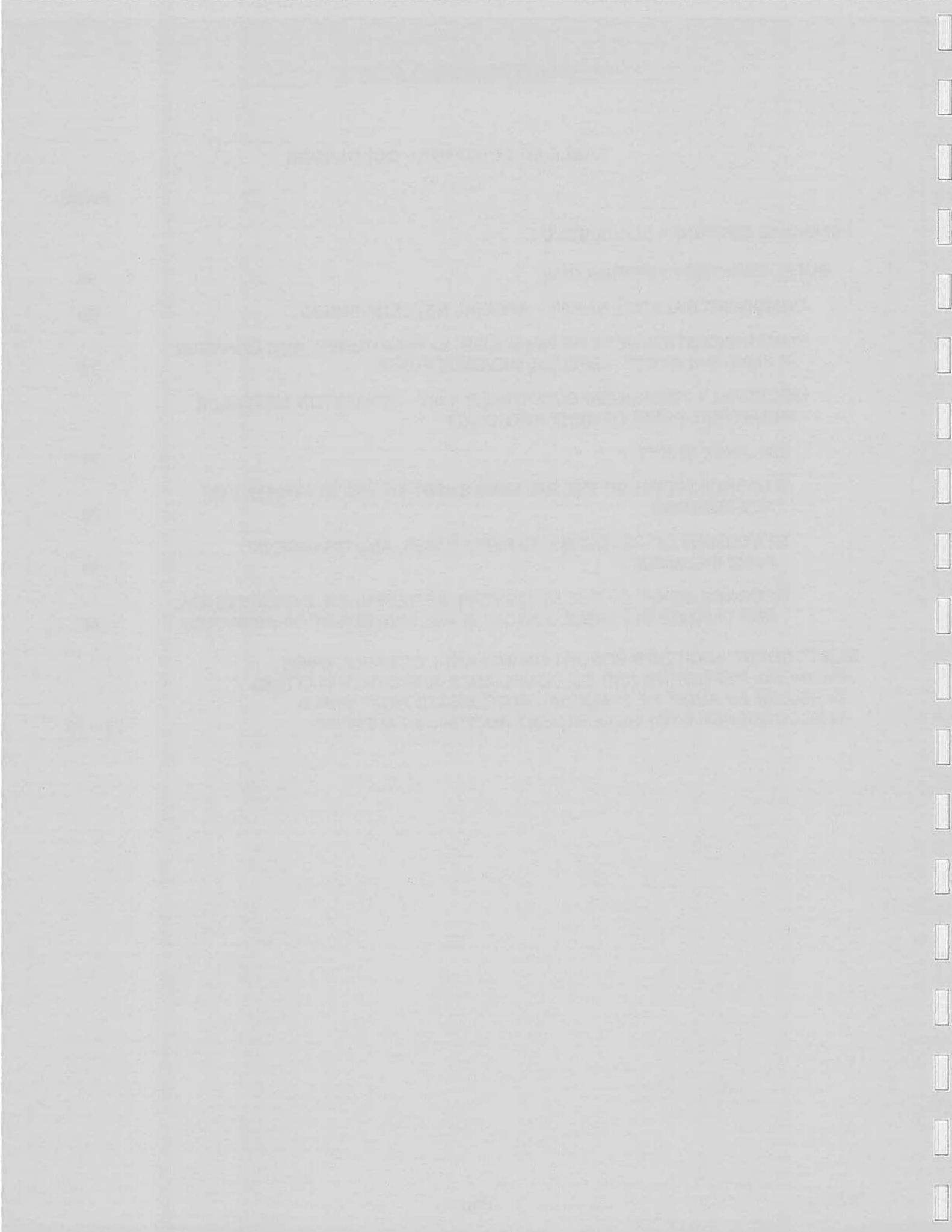


TABLE OF CONTENTS – CONCLUDED

	PAGE
FINANCIAL SECTION – CONCLUDED	
SUPPLEMENTARY INFORMATION	68
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS	69
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS	70
DISCRETELY PRESENTED COMPONENT UNIT – EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY	
BALANCE SHEET	71
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION	72
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	73
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	74
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 <i>GOVERNMENT AUDITING STANDARDS</i>	75 – 76





City of Edmonton

P.O. Box 374 • Edmonton, Kentucky 42129

Phone: 270-432-2811

Fax: 270-432-3949

DIRECTORY

CITY OF EDMONTON, KENTUCKY

(MAYOR-COUNCIL FORM OF GOVERNMENT)

MAYOR

HOWARD D. GARRETT

COUNCIL MEMBERS

**WENDELL SEXTON
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 SHARON HOWARD
CITY SUPERINTENDENT..... HOWARD DICKSON
POLICE CHIEF - INTERIM..... MICHAEL TAYLOR
PARKS AND RECREATION DIRECTOR PAGE EDWARDS



City of Portland

City of Portland
Department of Public Works
Engineering Division

Project No. 12345

Date: 10/10/2023

Project Manager
John Doe

City Engineer
Jane Smith

The following information is provided for your review and approval. The project is currently in the design phase and is expected to be completed by the end of the year. The project will involve the construction of a new bridge over the river, which will improve traffic flow and provide a safer crossing for pedestrians and cyclists. The project is estimated to cost \$5 million and will be funded through a combination of city funds and state grants. The project is currently in the design phase and is expected to be completed by the end of the year. The project will involve the construction of a new bridge over the river, which will improve traffic flow and provide a safer crossing for pedestrians and cyclists. The project is estimated to cost \$5 million and will be funded through a combination of city funds and state grants.

City Engineer
Jane Smith

TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804

GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877

FAX 270-651-8879

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

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

BRANCH OFFICE

108 WEST THIRD STREET

P.O. BOX 778

TOMPKINSVILLE, KENTUCKY 42167

TELEPHONE 270-487-6515

FAX 270-487-6515

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 the City of Edmonton, Kentucky, as of and for the year ended June 30, 2016, 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.

THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST

IN THE

SEVENTEENTH CENTURY

By JOHN RICHARDSON, Esq. of the Middle Temple, Barrister at Law.

LONDON, Printed by J. Sturges, in Pall-mall, 1764.

IN TWO VOLUMES.

Vol. I.

THE first of the reign of Charles the First, was a year of great calamity to the kingdom, and of great glory to the king. In the first year of his reign, he was crowned at Westminster, and in the second year, he was married to Henrietta Maria, daughter of the King of France. In the third year, he was crowned at York, and in the fourth year, he was crowned at London. In the fifth year, he was crowned at Winchester, and in the sixth year, he was crowned at Exeter. In the seventh year, he was crowned at Bath, and in the eighth year, he was crowned at Gloucester. In the ninth year, he was crowned at Hereford, and in the tenth year, he was crowned at Worcester. In the eleventh year, he was crowned at Ely, and in the twelfth year, he was crowned at Peterborough. In the thirteenth year, he was crowned at Lincoln, and in the fourteenth year, he was crowned at Leicester. In the fifteenth year, he was crowned at Nottingham, and in the sixteenth year, he was crowned at Derby. In the seventeenth year, he was crowned at Chester, and in the eighteenth year, he was crowned at Lancaster. In the nineteenth year, he was crowned at York, and in the twentieth year, he was crowned at London.

THE second of the reign of Charles the First, was a year of great calamity to the kingdom, and of great glory to the king. In the first year of his reign, he was crowned at Westminster, and in the second year, he was married to Henrietta Maria, daughter of the King of France. In the third year, he was crowned at York, and in the fourth year, he was crowned at London. In the fifth year, he was crowned at Winchester, and in the sixth year, he was crowned at Exeter. In the seventh year, he was crowned at Bath, and in the eighth year, he was crowned at Gloucester. In the ninth year, he was crowned at Hereford, and in the tenth year, he was crowned at Worcester. In the eleventh year, he was crowned at Ely, and in the twelfth year, he was crowned at Peterborough. In the thirteenth year, he was crowned at Lincoln, and in the fourteenth year, he was crowned at Leicester. In the fifteenth year, he was crowned at Nottingham, and in the sixteenth year, he was crowned at Derby. In the seventeenth year, he was crowned at Chester, and in the eighteenth year, he was crowned at Lancaster. In the nineteenth year, he was crowned at York, and in the twentieth year, he was crowned at London.

THE third of the reign of Charles the First, was a year of great calamity to the kingdom, and of great glory to the king. In the first year of his reign, he was crowned at Westminster, and in the second year, he was married to Henrietta Maria, daughter of the King of France. In the third year, he was crowned at York, and in the fourth year, he was crowned at London. In the fifth year, he was crowned at Winchester, and in the sixth year, he was crowned at Exeter. In the seventh year, he was crowned at Bath, and in the eighth year, he was crowned at Gloucester. In the ninth year, he was crowned at Hereford, and in the tenth year, he was crowned at Worcester. In the eleventh year, he was crowned at Ely, and in the twelfth year, he was crowned at Peterborough. In the thirteenth year, he was crowned at Lincoln, and in the fourteenth year, he was crowned at Leicester. In the fifteenth year, he was crowned at Nottingham, and in the sixteenth year, he was crowned at Derby. In the seventeenth year, he was crowned at Chester, and in the eighteenth year, he was crowned at Lancaster. In the nineteenth year, he was crowned at York, and in the twentieth year, he was crowned at London.

THE fourth of the reign of Charles the First, was a year of great calamity to the kingdom, and of great glory to the king. In the first year of his reign, he was crowned at Westminster, and in the second year, he was married to Henrietta Maria, daughter of the King of France. In the third year, he was crowned at York, and in the fourth year, he was crowned at London. In the fifth year, he was crowned at Winchester, and in the sixth year, he was crowned at Exeter. In the seventh year, he was crowned at Bath, and in the eighth year, he was crowned at Gloucester. In the ninth year, he was crowned at Hereford, and in the tenth year, he was crowned at Worcester. In the eleventh year, he was crowned at Ely, and in the twelfth year, he was crowned at Peterborough. In the thirteenth year, he was crowned at Lincoln, and in the fourteenth year, he was crowned at Leicester. In the fifteenth year, he was crowned at Nottingham, and in the sixteenth year, he was crowned at Derby. In the seventeenth year, he was crowned at Chester, and in the eighteenth year, he was crowned at Lancaster. In the nineteenth year, he was crowned at York, and in the twentieth year, he was crowned at London.

THE fifth of the reign of Charles the First, was a year of great calamity to the kingdom, and of great glory to the king. In the first year of his reign, he was crowned at Westminster, and in the second year, he was married to Henrietta Maria, daughter of the King of France. In the third year, he was crowned at York, and in the fourth year, he was crowned at London. In the fifth year, he was crowned at Winchester, and in the sixth year, he was crowned at Exeter. In the seventh year, he was crowned at Bath, and in the eighth year, he was crowned at Gloucester. In the ninth year, he was crowned at Hereford, and in the tenth year, he was crowned at Worcester. In the eleventh year, he was crowned at Ely, and in the twelfth year, he was crowned at Peterborough. In the thirteenth year, he was crowned at Lincoln, and in the fourteenth year, he was crowned at Leicester. In the fifteenth year, he was crowned at Nottingham, and in the sixteenth year, he was crowned at Derby. In the seventeenth year, he was crowned at Chester, and in the eighteenth year, he was crowned at Lancaster. In the nineteenth year, he was crowned at York, and in the twentieth year, he was crowned at London.

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, 2016, 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 - 67) 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 and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and component unit financial statements 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 and component unit financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 25, 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

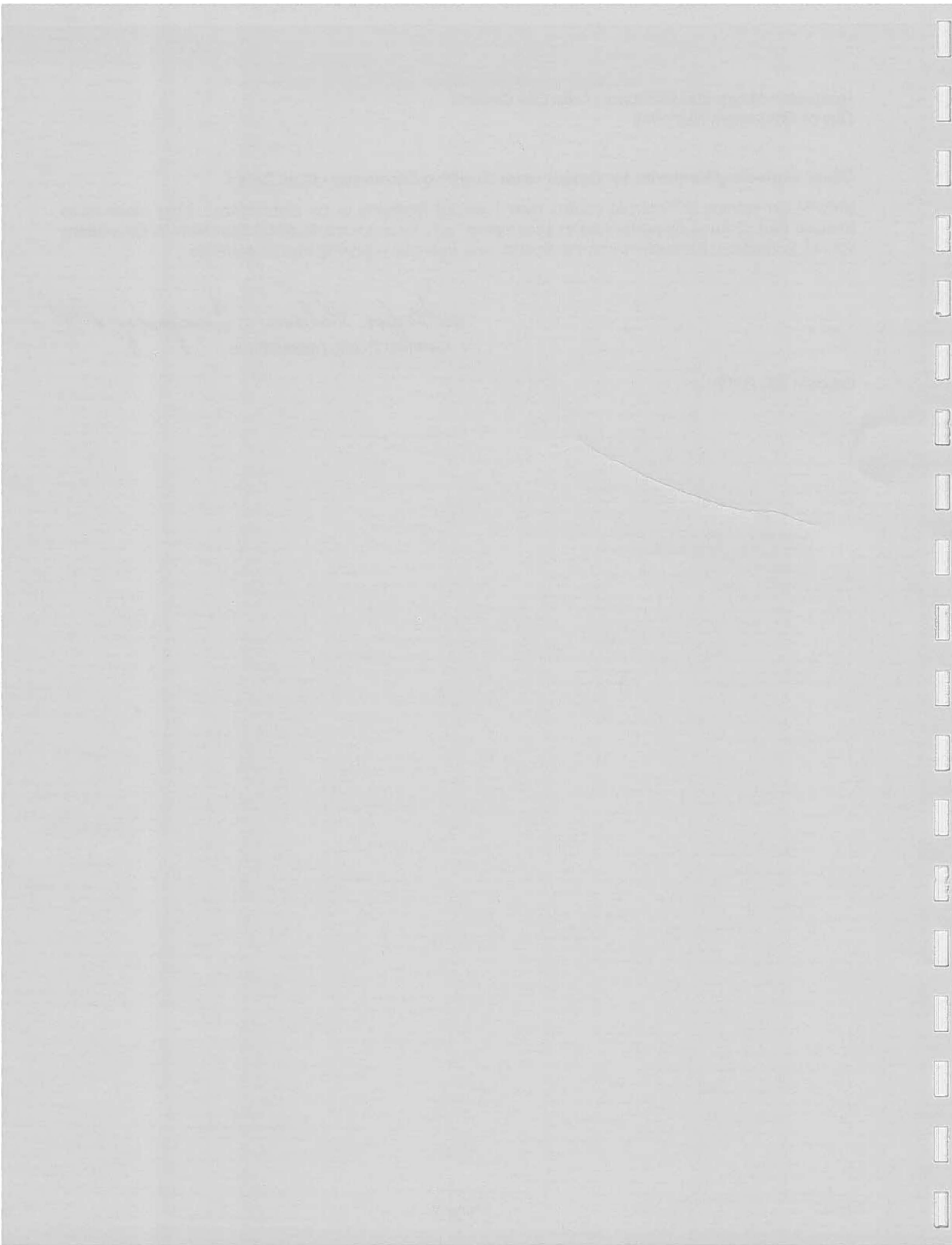
Honorable Mayor and Members of the City Council
City of Edmonton, Kentucky

Other Reporting Required by Government Auditing Standards - Concluded

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.

Snider, Nelson & Company, PSC
Certified Public Accountants

October 25, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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, 2016, the City's assets exceeded liabilities by \$14,394,180. Total net position is comprised of the following:
 1. Net position of \$11,307,386 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 \$1,106,471 is restricted to specific projects by laws, regulations, contractual agreements, or debt service.
 3. Unrestricted net position of \$1,980,323 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2016, were \$3,743,379, and current liabilities payable from unrestricted resources were \$762,105.
- Net position increased by \$454,859.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$21,228 to a total of \$1,234,198.
- Net position in the proprietary funds increased \$385,790 to a total of \$11,818,441.

Revenues and Expenditures

- Revenues in governmental funds were \$1,319,881. 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 \$1,358,579. 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 \$59,926. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$2,724,284. This includes charges for utility services (water, sewer, and natural gas).
- Expenses in the proprietary fund types totaled \$2,568,910. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$230,416 of revenue. This amount includes grant income, interest income, bond interest expense, and other income and expense items.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial statements and the notes thereto.

FINANCIAL HIGHLIGHTS

Assets and Liabilities

- As of June 30, 2016, the City's assets exceeded liabilities by \$1,394,193. Total net position is composed of the following:
 1. Net position of \$1,394,193 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 \$1,100,471 is restricted to specific purposes by law, regulation, contractual agreements, or debt covenants.
 3. Unrestricted net position of \$1,980,323 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2016 were \$3,748,379, and current liabilities payable from unrestricted resources were \$2,354,186.
- Net position increased by \$254,859.
- Fund balances (a measure of current financial resources) in the governmental funds increased \$21,256 to a total of \$1,394,193.
- Net position in the proprietary funds increased \$385,786 to a total of \$1,980,323.

Revenues and Expenditures

- Revenues in governmental funds were \$1,819,881. This amount includes property taxes, occupational licenses and taxes, franchise fees, parks and recreation income, and other items.
- Expenditures in the governmental fund type were \$1,508,879. This includes amounts for general government, public safety (police, fire and EMS), street department, parks and recreation, capital outlay, and debt service.
- Other financing sources and uses in the governmental fund type were \$59,026. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$3,754,564. This includes charges for utility services (water, sewer, and natural gas).
- Expenses in the proprietary fund types totaled \$3,563,910. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses (netted \$230,415 of revenues). This amount includes grant income, interest income, bond interest expense, and other income and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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-Metcalf 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

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis are intended to increase 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 results of the City's various activities or functions as 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, street, public safety (police, fire, and 911), parks and recreation, and special revenue funds (principal road and IDEA). 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 Eastern Allegheny Industrial Development Authority. Financial information for the development authority 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 Edinburg, 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 government-wide statements. However, the information in the fund statements is presented differently. Governmental funds focus on current financial

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

OVERVIEW OF THE FINANCIAL STATEMENTS - CONCLUDED

Five 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 those assets. 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 of the government-wide statements with the current picture presented in the fund statements.

Edmonton uses the following governmental funds:

- General Fund
- Municipal Social Aid Fund
- LESA

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

Intimately 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 presentation. Management's discussion and analysis, the budgetary comparison for the major funds, and the pension information are required supplementary information included in the 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, 2016**

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, \$161,937 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$944,534 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 governmental revenues increased \$93,431. The utilities had a decrease in revenues of \$776,398. The change in net position was an increase of \$69,069 for governmental-type activities and an increase of \$385,790 for business-type activities.

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, \$161,537 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$644,534 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 governmental revenues increased \$23,431. The utilities had a decrease in revenues of \$770,368. The change in net position was an increase of \$69,008 for governmental-type activities and an increase of \$382,720 for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NET POSITION

	PRIMARY GOVERNMENT					
	Governmental Activities 6-30-16	Governmental Activities 6-30-15	Business-type Activities 6-30-16	Business-type Activities 6-30-15	Total 6-30-16	Total 6-30-15
ASSETS						
Current Assets	1,278,215	1,207,876	4,110,621	3,800,839	5,388,836	5,008,715
Restricted Assets	4,650	70,008	944,534	950,919	949,184	1,020,927
Non-Current Assets	3,166,701	3,114,376	11,866,206	12,016,983	15,032,907	15,131,359
Total Assets	4,449,566	4,392,260	16,921,361	16,768,741	21,370,927	21,161,001
DEFERRED OUTFLOWS OF RESOURCES	270,192	113,553	182,002	83,828	452,194	197,381
LIABILITIES						
Current Liabilities	157,248	169,444	1,498,429	1,522,166	1,655,677	1,691,610
Liabilities Payable from Restricted Assets	-	-	147,309	150,254	147,309	150,254
Non-Current Liabilities	1,921,369	1,747,947	3,583,002	3,677,271	5,504,371	5,425,218
Total Liabilities	2,078,617	1,917,391	5,228,740	5,349,691	7,307,357	7,267,082
DEFERRED INFLOWS OF RESOURCES	65,402	81,752	56,182	70,227	121,584	151,979
NET POSITION						
Invested in Capital Assets, Net of Debt	2,235,858	2,079,002	9,071,528	8,734,463	11,307,386	10,813,465
Restricted	161,937	252,322	944,534	950,919	1,106,471	1,203,241
Unrestricted	177,944	175,346	1,802,379	1,747,269	1,980,323	1,922,615
TOTAL NET POSITION	2,575,739	2,506,670	11,818,441	11,432,651	14,394,180	13,939,321

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPERATING RESULTS

	PRIMARY GOVERNMENT					
	Governmental Activities 6-30-16	Governmental Activities 6-30-15	Business-type Activities 6-30-16	Business-type Activities 6-30-15	Total 6-30-16	Total 6-30-15
PROGRAM REVENUES						
Charges for Services	48,101	57,139	2,724,284	2,962,595	2,772,385	3,019,734
Operating Grants and Contributions	69,828	83,794	-	-	69,828	83,794
Capital Grants and Contributions	51,500	1,500	324,706	863,474	376,206	864,974
GENERAL REVENUES						
Property Taxes	85,170	85,093	-	-	85,170	85,093
Occupational Licenses and Tax	907,418	884,840	-	-	907,418	884,840
Insurance Premiums Tax	187,345	155,258	-	-	187,345	155,258
Franchise Fees	9,605	9,242	-	-	9,605	9,242
Investment Income	3,911	4,516	18,560	19,265	22,471	23,781
Sale of Surplus Property	4,515	3,250	1,386	-	5,901	3,250
Miscellaneous	12,414	1,744	-	-	12,414	1,744
Total Revenues	<u>1,379,807</u>	<u>1,286,376</u>	<u>3,068,936</u>	<u>3,845,334</u>	<u>4,448,743</u>	<u>5,131,710</u>
PROGRAM EXPENSES						
General Government	247,730	211,219	-	-	247,730	211,219
Public Safety	638,752	550,627	-	-	638,752	550,627
Street Department	38,185	38,345	-	-	38,185	38,345
LGEA	-	-	-	-	-	-
Parks and Recreation	339,379	322,637	-	-	339,379	322,637
Interest on Long-Term Debt	46,692	50,327	-	-	46,692	50,327
Water	-	-	1,505,042	1,441,929	1,505,042	1,441,929
Sewer	-	-	218,298	226,990	218,298	226,990
Natural Gas	-	-	959,806	1,208,313	959,806	1,208,313
Total Expenses	<u>1,310,738</u>	<u>1,173,155</u>	<u>2,683,146</u>	<u>2,877,232</u>	<u>3,993,884</u>	<u>4,050,387</u>
EXCESS BEFORE TRANSFERS	69,069	113,221	385,790	968,102	454,859	1,081,323
Transfers	-	-	-	-	-	-
INCREASE IN NET POSITION	<u>69,069</u>	<u>113,221</u>	<u>385,790</u>	<u>968,102</u>	<u>454,859</u>	<u>1,081,323</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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>6-30-16</u>	<u>6-30-15</u>
Occupational Licenses and Tax	67%	69%
Insurance Premiums Tax	15%	12%
Operating Grants and Contributions	6%	7%
Property Taxes	7%	7%
Charges for Services	4%	4%
Franchise Fees	<u>1%</u>	<u>1%</u>
Governmental Revenues	<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>6-30-16</u>	<u>6-30-15</u>
Police	41%	39%
Administration	19%	18%
Parks and Recreation	26%	28%
Fire	2%	2%
Interest on Long-Term Debt	4%	4%
E911	6%	6%
Streets	<u>2%</u>	<u>3%</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 \$1,503,423 as compared to costs of \$1,505,042.
- Sewer Fund revenues were \$221,262 as compared to costs of \$218,298.
- Natural Gas Fund revenues were \$999,599 as compared to costs of \$959,806.

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:

	6-30-18	6-30-17
Governmental Revenues	100%	100%
Franchise Fees	1%	1%
Charges for Services	4%	4%
Property Taxes	7%	7%
Operating Grants and Contributions	8%	8%
Insurance Premiums Tax	13%	13%
Occupational License and Tax	81%	81%

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

	6-30-18	6-30-17
Governmental Expenses	100%	100%
Salaries	2%	2%
Costs	1%	1%
Interest on Long-Term Debt	4%	4%
Fire	3%	3%
Parks and Recreation	26%	26%
Administration	19%	19%
Police	41%	41%

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-sustaining with user charges and other revenues assigned to recover costs. Economic events and weather patterns can affect positively or negatively impact these services and costs.

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

- Water Fund revenues were \$1,503,428 as compared to costs of \$1,505,042.
- Sewer Fund revenues were \$257,502 as compared to costs of \$218,258.
- Natural Gas Fund revenues were \$222,532 as compared to costs of \$222,806.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 \$21,228, which includes a decrease of \$38,698 from operations and an increase of \$59,926 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 \$1,234,198. Of this year-end total, approximately \$1,192,860 is unassigned, indicating availability for continuing City service requirements. Restricted fund balances include \$4,650 for general fund reserve and \$36,688 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 \$41,125.

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 decreased by \$19,897.

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 \$385,790, which includes net operating income of \$155,374 and net revenue from non-operating activities of \$230,416.

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 \$8,043. The water fund had net income of \$85,170 from operations and \$77,064 of net expenses from non-operating activities. The water fund reports a net position amount of \$6,535,683, of which \$870,420 is restricted for debt service.

The sewer fund reported an increase in net position of \$331,681. The sewer fund had a net income of \$21,966 from operations and \$309,715 net income from non-operating activities. The sewer fund reports a net position amount of \$3,026,880, of which \$74,112 is restricted for debt service and \$2 for sewer projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

This fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide 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 \$5,328, which includes a decrease of \$58,898 from operations and an increase of \$64,226 from other financing sources.

This information is useful in assessing resources available at the end of the year in comparison with upcoming funding requirements. Governmental fund ending fund balances of \$1,234,108. Of this year-end total, approximately \$1,192,860 is unassigned, indicating availability for continuing City service requirements. Restricted fund balances include \$4,630 for general fund reserve and \$38,630 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 services delivery. Fund balance of the general fund increased by \$41,156.

The special revenue fund is made up of two individual funds (municipal road and air (GEA), which are combined in the supplementary information. Fund balance of the special revenue fund decreased by \$18,997.

Proprietary Funds

The proprietary fund statements show 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 \$285,790, which includes net operating income of \$155,374 and net revenue from non-operating activities of \$230,416.

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 \$8,045. The water fund had net income of \$8,176 from operations and \$77,694 of net expenses from non-operating activities. The water fund reports a net position amount of \$5,555,883, of which \$8,104,620 is restricted for debt service.

The sewer fund reported an increase in net position of \$231,681. The sewer fund had a net income of \$21,886 from operations and \$308,715 net income from non-operating activities. The sewer fund reports a net position amount of \$5,035,880, of which \$24,712 is restricted for debt service and \$2 for sewer projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONCLUDED

Major Proprietary Funds - Concluded

The natural gas fund reported an increase in net position of \$46,066. The natural gas fund had net income of \$48,301 from operations and \$2,235 net expenses from non-operating activities. The natural gas fund reports a net position amount of \$2,255,878, 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 \$177,835: revenues were more than budget by \$159,829, expenditures were more than budget by \$21,994, and other financing sources were more by \$40,000.

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	19,236,617	20,572,485
Equipment and Furnishings	300,651	637,379	938,030
Vehicles	703,207	229,792	932,999
Streets and Sidewalks	287,979	-	287,979
Municipal Park	973,103	-	973,103
	<u>5,337,197</u>	<u>20,193,651</u>	<u>25,530,848</u>
Accumulated Depreciation	(2,170,496)	(8,327,530)	(10,498,026)
TOTAL	<u>3,166,701</u>	<u>11,866,121</u>	<u>15,032,822</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONCLUDED

Major Proprietary Funds - Concluded

The natural gas fund reported an increase in net position of \$45,056. The natural gas fund had net income of \$43,301 from operations and \$2,755 net expenses from non-operating activities. The natural gas fund reports a net position amount of \$2,285,878, 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 estimate by \$17,832; revenues were more than budget by \$155,829, expenditures were more than budget by \$21,994, and other financing activities were more by \$49,000.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

The City incurs 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
Land	1,728,388	82,923
Land Improvements	7,700	
Building and Improvements	1,352,888	19,388,617
Equipment and Furnishings	800,681	887,379
Vehicles	703,207	328,792
Streets and Sidewalks	387,978	
Municipal Park	873,103	
Accumulated Depreciation	(2,170,488)	(1,832,750)
	8,937,197	20,793,581
	10,198,988	21,626,581
	12,033,852	23,453,157

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED

LONG-TERM DEBT	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
Capital Leases			
General Obligation			
Municipal Park	664,289	-	664,289
Special Obligation	76,554	-	76,554
KADD - City Hall	190,000	-	190,000
Total Capital Leases	930,843	0	930,843
Loans			
KY Infrastructure Authority	-	146,710	146,710
Kentucky League of Cities	-	181,250	181,250
Total Loans	0	327,960	327,960
Bonds			
Revenue Bonds			
1980 Issue	-	19,000	19,000
1982 Issue Ser A	-	43,000	43,000
1982 Issue Ser C	-	5,000	5,000
1984 Issue	-	270,943	270,943
1990 Issue	-	228,000	228,000
1993 Issue	-	221,000	221,000
1995 Issue	-	318,000	318,000
1996 Issue	-	154,200	154,200
2000 Issue	-	682,000	682,000
2002 Issue	-	89,500	89,500
2013 Issue	-	582,700	582,700
Total Bonds	0	2,613,343	2,613,343

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

NET PENSION LIABILITY

At June 30, 2016, 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 \$1,935,867. This amount was allocated proportionately between the Governmental Activities and the Business-type Activities.

CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED

PRIMARY GOVERNMENT		Governmental Activities	LONG-TERM DEBT
Business-type Activities	Total		
			Capital Leases
			General Obligation
			Principal Paid
			Special Obligation
			KACD - City Hall
			Total Capital Leases
			Loans
			KY Infrastructure Authority
			Kentucky League of Cities
			Total Loans
			Bonds
			Revenue Bonds
			1983 issue
			1985 issue Ser. A
			1985 issue Ser. C
			1987 issue
			1990 issue
			1992 issue
			1995 issue
			1997 issue
			1998 issue
			2000 issue
			2002 issue
			2013 issue
			Total Bonds

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

NET PENSION LIABILITY

At June 30, 2016, 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 \$1,935,667. 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, 2016**

THE OUTLOOK FOR NEXT YEAR

As we prepare to move into the new fiscal year for the City, our economic outlook is cautiously optimistic. Cautious because our small businesses are struggling to keep open and new businesses are slow to open. The City needs entrepreneurs to take that risk and invest in our city. On the industrial side, we are optimistic about the industries we have now regarding job retention and job expansion.

The partnership the City has with the Metcalfe County Fiscal Court and TVA on the construction of the spec building is an investment in our city and county. This building is already being marketed by TVA and the State Economic Cabinet on their websites.

Concerns remain as always about the continued rising cost of health insurance premiums, cost of materials and supplies, and the Kentucky Retirement System deficit.

The CERS pension cost and the liability of the City's shared percentage is now reflected in the City's financial statements. How this will affect the bond rating of the City is an unknown. The City has always funded its portion for the full amount while the state did not. The state, with approval of its bi-annual budget, is finally addressing the issue by appropriating more money into the system but it will take a long time to get this issue resolved.

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

- The City Hall administrative offices requests include general maintenance on building, office equipment, and website improvements. The request for a new phone system will be delayed until later in the fiscal year and, if revenues are holding, we will amend the budget at that time.
- Parks and Recreation has the matching funds for a Land, Water and Conservation Grant application for picnic tables and reimbursement on fence repairs, and a new UTV for the park maintenance with additional funds for promotion activities. The park needs to be a place of activity year round and right now it is not. I will pursue the financial resources that will help the City to establish a YMCA-type facility that will be located at the entrance of Edmonton Memorial Park. I want to start expanding park activities with different events, such as a series of concerts in the park highlighting all types of musical entertainment. The purpose is to bring the community together for evenings of fun and family entertainment. We will also continue to review the youth sports programs and participation levels.
- The Police Department needs include extra officers and vehicles to bring the force up to full staff. We are applying for a COPS grant, which has a 75%/25% match requirement for three years. We will also reapply for a USDA grant for three new vehicles. The 4x4 vehicles that the department purchased last year worked out great, so I have included funds to purchase another for use in inclement weather conditions.
- The Public Works Department requests include funds for utility billing, chlorine scales, line locators, pressure recorders for natural gas lines, a zero turn diesel mower, an ice machine, updating of old equipment, and new equipment for DOW water quality compliance. Our water loss ratio is still too high, and we need to be getting that percentage down.
- Capital projects requests consist of continuing the replacement of older water and gas meters with the radio read meters and a replacement of a vehicle. The City is also looking at making the Compton house better suited for City storage.

THE OUTLOOK FOR NEXT YEAR

As we prepare to move into the new fiscal year for the City, our economic outlook is cautiously optimistic. Cautious because our small businesses are struggling to keep open and new businesses are slow to open. The City needs entrepreneurs to take the risk and invest in our city. On the industrial side, we are optimistic about the industries we have now regarding job retention and job expansion.

The partnering the City has with the Metrolink County Fiscal Court and TVA on the construction of the new building is an investment in our city and county. This building is already being marketed by TVA and the State Economic Cabinet on their websites.

Contractors remain as always about the continued rising cost of health insurance premiums, cost of materials and supplies, and the Kentucky Retirement System deficit.

The CERS pension cost and the liability of the City's stated percentage is now reflected in the City's financial statements. How this will affect the bond rating of the City is an unknown. The City has always needed the action for the full amount with the state did not. The state, with approval of its annual budget, is finally addressing the issue by appropriating more money into the system but it will take a long time to get this issue resolved.

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

- The City Hall administrative offices requests include general maintenance on building office equipment, and website improvements. The request for a new phone system will be delayed until later in the fiscal year and if revenues are holding, we will amend the budget at that time.
- Parks and Recreation has the matching funds for a Land, Water and Conservation Grant application for picnic tables and reimbursement on fence repair, and a new UV for the park maintenance with additional funds for promotion activities. The park needs to be a place of safety year round and right now it is not. I will pursue the financial resources that will help the City to establish a YMCA-type facility that will be located at the entrance of Edmonson Memorial Park. I want to start expanding park activities with different events, such as a series of concerts in the park highlighting all types of musical entertainment. The purpose is to bring the community together for evenings of fun and family entertainment. We will also continue to review the youth sports programs and participation levels.
- The Police Department needs include state officers and vehicles to bring the force up to full staff. We are applying for a COPS grant, which has a 75% match requirement for three years. We will also apply for a USDA grant for three new vehicles. The 4x4 vehicles that the department purchased last year worked out great, so I have included funds to purchase another for use in inclement weather conditions.
- The Public Works Department requests include funds for utility billing, chlorine scales, line locators, pressure regulators for natural gas lines, a zero turn diesel mower, an ice machine, updating of old equipment, and new equipment for DOW water quality compliance. Our water loss ratio is still too high, and we need to be getting that percentage down.
- Capital projects requests consist of continuing the replacement of older water and gas meters with the radio read meters and a replacement of a vehicle. The City is also looking at making the Courthouse house better suited for City storage.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THE OUTLOOK FOR NEXT YEAR - CONCLUDED

- The request last year concerning gathering information for a city waste collection within the Public Works Department is still ongoing. We are reviewing the information and hope to have a recommendation to the full council in the new fiscal year.
- I will have the request for annexation of property to expand the city limits presented to the council in the first quarter of the fiscal year. The proposal is needed because at some point future growth will occur in these areas.

The City will continue to honor our commitments to the various organizations that depend on city funding. Those organizations are the Hospice Program, the Historical Society, and the Chamber of Commerce. I will ask the Chamber to focus on the small retail businesses in the city. If it can be set up by the Kentucky revised statutes, I will propose that the City start a program with the financial institutions in town that will establish a revolving loan fund. Utilizing these loans, business owners will create economic development by opening new businesses and by making improvements on current businesses.

For our full-time employees, I am proposing a .30-cent per hour increase and a 2 percent increase for the custodians. This proposal will bring up the employees that are on the lower end of the pay scale. When you factor in the health insurance premium increase along with the hourly raise, this is a very generous overall increase.

The state road plan has the funding for the design, right of way acquisition, and utilities for the Edmonton By-Pass. Hopefully, these funds will be released this fiscal year and the project started. This project will relieve the commercial traffic around the square and give the City a new area to develop.

The Sewer Rehab project will finally close out with the replacement of the Wilson Subdivision pump station, using the remaining grant funds and with the City utilizing reserve funds to complete the full cost.

I have not included any revenue or expenditures into this budget concerning the wet/dry vote to be held in Metcalfe County. Each registered voter will have a choice to make. If it passes, the City will follow the process outlined by the Kentucky Statutes.

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, 2016

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT ASSETS				
Cash on Hand and in Banks	798,469	2,944,910	3,743,379	85,797
Investments	-	385,167	385,167	-
Receivables, Net of Allowance for Uncollectible Accounts				
Property Taxes	2,213	-	2,213	-
Trade Accounts	-	194,160	194,160	-
Internal Receivable	453,898	439,674	893,572	-
Due from Other Governments				
State of Kentucky	3,635	-	3,635	-
Metcalf County Fiscal Court	-	146,710	146,710	-
Metcalf County Board of Education	20,000	-	20,000	-
Total Current Assets	1,278,215	4,110,621	5,388,836	85,797
RESTRICTED ASSETS				
Cash and Savings				
General Fund Reserve	4,650	-	4,650	-
Sinking Funds	-	216,859	216,859	-
Funded Depreciation	-	386,693	386,693	-
Other Cash	-	340,982	340,982	-
Total Restricted Assets	4,650	944,534	949,184	0
NON-CURRENT ASSETS				
Capital Assets				
Land	1,728,689	89,863	1,818,552	187,097
Other Capital Assets, Net of Accumulated Depreciation	1,438,012	11,776,258	13,214,270	1,865,132
Deposits	-	85	85	-
Total Non-Current Assets	3,166,701	11,866,206	15,032,907	2,052,229
TOTAL ASSETS	4,449,566	16,921,361	21,370,927	2,138,026
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	270,192	182,002	452,194	-

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2016

LIABILITIES	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT LIABILITIES				
Accounts Payable	11,353	73,571	84,924	-
Payroll Withholdings	19,050	-	19,050	-
Accrued Expenses				
School Tax	-	5,601	5,601	-
Sales Tax	-	3,099	3,099	-
Vacation Accrual	18,264	32,181	50,445	-
Meter Deposits	-	401,944	401,944	-
Current Portion of				
Loans Payable	-	88,461	88,461	13,187
Leases Payable	108,581	-	108,581	-
Internal Payable	-	893,572	893,572	-
Total Current Liabilities	157,248	1,498,429	1,655,677	13,187
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	-	40,709	40,709	-
Current Portion of Revenue Bonds	-	106,600	106,600	-
Total Liabilities Payable From Restricted Assets	0	147,309	147,309	0
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing				
Revenue Bonds	-	2,506,743	2,506,743	-
Loans Payable				
Kentucky League of Cities	-	111,250	111,250	-
KIA	-	128,249	128,249	-
Edmonton State Bank	-	-	-	117,725
Leases Payable				
General Obligation				
Municipal Park	589,345	-	589,345	-
Special Obligation	67,917	-	67,917	-
KADD - City Hall	165,000	-	165,000	-
Net Pension Liability	1,099,107	836,760	1,935,867	-
Total Non-Current Liabilities	1,921,369	3,583,002	5,504,371	117,725
TOTAL LIABILITIES	2,078,617	5,228,740	7,307,357	130,912
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	65,402	56,182	121,584	-

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2018

LIABILITIES	PRIMARY GOVERNMENT			COMBINED TOTAL
	Governmental Activities	Business Activities	Total	
CURRENT LIABILITIES				
Accounts Payable	11,353	13,571	24,924	
Payroll Withholdings	19,059		19,059	
Accrued Expenses				
School Tax		8,501	8,501	
Sales Tax		3,099	3,099	
Vacation Accrual	18,354	32,181	50,535	
Miscellaneous		811,954	811,954	
Current Portion of				
Loans Payable	108,581	88,481	197,062	13,187
Losses Payable				
Internal Payable		883,575	883,575	
Total Current Liabilities	137,994	1,006,129	1,144,123	13,187
LIABILITIES PAYABLE AT TERM				
RESTRICTED ASSETS				
Accrued Interest		40,709	40,709	
Current Portion of				
Revenue Bonds		109,800	109,800	
Total Liabilities Payable	0	147,209	147,209	0
NON-CURRENT LIABILITIES				
Long-Term Portion of Bonding				
Revenue Bonds		2,506,743	2,506,743	
Loans Payable				
Kentucky League of Cities		111,289	111,289	
KIA		136,349	136,349	13,728
Edmonton State Bank				
Leases Payable				
General Obligation	889,245		889,245	
Municipal Park	87,917		87,917	
Special Obligation	165,000		165,000	
ICAD - City Hall	1,089,407	554,189	1,643,596	
Net Pension Liability				
Total Non-Current Liabilities	1,951,562	654,932	2,606,494	13,728
TOTAL LIABILITIES	2,089,556	1,708,270	3,797,826	26,915
DEFERRED INFLUENCE OF				
RESOURCES				
Deferred Pension Credits	65,402	65,402	130,804	

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONCLUDED
JUNE 30, 2016

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Invested in Capital Assets, Net of Related Debt	2,235,858	9,071,528	11,307,386	1,921,317
Restricted for				
General Fund Reserve	4,650	-	4,650	-
Debt Service	-	603,552	603,552	-
Sewer Project	-	2	2	-
Other	-	340,980	340,980	-
Special Revenue Funds	36,688	-	36,688	-
Public Services	19,011	-	19,011	-
Public Safety	127	-	127	-
Parks and Recreation	101,461	-	101,461	-
Unrestricted	177,944	1,802,379	1,980,323	85,797
TOTAL NET POSITION	2,575,739	11,818,441	14,394,180	2,007,114

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	247,730	-	19,005
Public Safety			
Police	536,565	127	19,011
Fire	28,873	-	-
E911	73,314	-	-
Street Department	38,185	-	30,728
LGEA	-	-	1,084
Parks and Recreation	339,379	47,974	-
Interest on Long-Term Debt	46,692	-	-
Total Governmental Activities	1,310,738	48,101	69,828
Business-type Activities			
Water	1,505,042	1,503,423	-
Sewer	218,298	221,262	-
Natural Gas	959,806	999,599	-
Total Business-type Activities	2,683,146	2,724,284	0
Total Primary Government	3,993,884	2,772,385	69,828
COMPONENT UNIT			
Industrial Program	81,484	25,762	24,000
Total Component Unit	81,484	25,762	24,000

Program Revenues
Capital Grants
and
Contributions

Net (Expense) Revenue

1,500	(227,225)
50,000	(467,427)
-	(28,873)
-	(73,314)
-	(7,457)
-	1,084
-	(291,405)
-	(46,692)
<u>51,500</u>	<u>(1,141,309)</u>
-	(1,619)
324,706	327,670
-	39,793
<u>324,706</u>	<u>365,844</u>
<u>376,206</u>	<u>(775,465)</u>
-	(31,722)
<u>0</u>	<u>(31,722)</u>

Net (Excess) Revenue

Program Expenses
Capital Grants
and
Contributions

(251,225)

1,200

(107,457)

20,000

(28,878)

(78,314)

(7,437)

(1,084)

(251,405)

(48,000)

21,200

(1,819)

(327,870)

(38,788)

324,700

(355,044)

354,700

(773,463)

373,600

(31,755)

(31,755)

0

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2016**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue	(1,141,309)	365,844	(775,465)	(31,722)
General Revenues				
Taxes				
Property Taxes	85,170	-	85,170	-
Occupational Licenses and Tax	907,418	-	907,418	-
Insurance Premiums Tax	187,345	-	187,345	-
Franchise Fees	9,605	-	9,605	-
Investment Income	3,911	18,560	22,471	-
Sale of Surplus Property	4,515	1,386	5,901	-
Miscellaneous	12,414	-	12,414	-
Transfers	-	-	-	-
Total General Revenues and Transfers	1,210,378	19,946	1,230,324	0
CHANGES IN NET POSITION	69,069	385,790	454,859	(31,722)
NET POSITION-BEGINNING	2,506,670	11,432,651	13,939,321	2,038,836
NET POSITION - ENDING	2,575,739	11,818,441	14,394,180	2,007,114

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES - CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2018

COMPONENT UNIT	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
	Total	

CHANGES IN NET POSITION

Net (Expense) Revenue	(1,141,000)	382,844	(758,156)	(31,732)
General Revenues				
Taxes				
Property Taxes	82,170		82,170	
Occupational License and Tax	907,418		907,418	
Franchise Premium Tax	187,345		187,345	
Franchise Fee	8,202		8,202	
Investment Income	3,911	18,550	22,461	
Sale of Surplus Property	4,515	1,388	5,903	
Miscellaneous	12,414		12,414	
Transfers				
Total General Revenues and Transfers	1,215,278	18,938	1,234,216	0
CHANGES IN NET POSITION	82,888	382,780	465,668	(31,732)
NET POSITION-BEGINNING	2,506,670	11,438,821	13,945,491	2,038,839
NET POSITION-ENDING	2,589,558	11,821,601	14,411,159	2,007,107

See accompanying notes to financial statements

**CITY OF EDMONTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash on Hand and in Banks	765,416	33,053	798,469
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	2,213	-	2,213
Due from Other Funds	453,898	-	453,898
Due from Other Governments	20,000	3,635	23,635
Restricted Assets - Cash and Savings			
General Fund Reserve	<u>4,650</u>	<u>-</u>	<u>4,650</u>
TOTAL ASSETS	<u>1,246,177</u>	<u>36,688</u>	<u>1,282,865</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	11,353	-	11,353
Payroll Withholdings	19,050	-	19,050
Accrued Expenses - Vacation	<u>18,264</u>	<u>-</u>	<u>18,264</u>
Total Liabilities	<u>48,667</u>	<u>0</u>	<u>48,667</u>
FUND BALANCES			
Restricted	4,650	36,688	41,338
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,192,860</u>	<u>-</u>	<u>1,192,860</u>
Total Fund Balances	<u>1,197,510</u>	<u>36,688</u>	<u>1,234,198</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,246,177</u>	<u>36,688</u>	<u>1,282,865</u>

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS		
Cash on Hand and in Banks		
Receivables, Net of Allowance for Uncollectible Accounts		
Prepaid Taxes		
Due from Other Funds		
Due from Other Governments		
Restricted Assets - Capital and Savings		
General Fund Reserve		
<u>1,240,177</u>	<u>30,000</u>	<u>1,270,177</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable		
Payroll Withholdings		
Accrued Expenses - Vacation		
<u>44,667</u>	<u>0</u>	<u>44,667</u>
Total Liabilities		
FUND BALANCES		
Restricted		
Committed		
Assigned		
Unassigned		
<u>1,195,510</u>	<u>30,000</u>	<u>1,225,510</u>
Total Fund Balances		
<u>1,240,177</u>	<u>30,000</u>	<u>1,270,177</u>
TOTAL LIABILITIES AND FUND BALANCES		

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, 2016**

Total Fund Balances – Total Governmental Funds	1,234,198
---	------------------

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

Capital assets of \$5,337,197, net of accumulated depreciation of (\$2,170,496), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	3,166,701
--	-----------

Long-term liabilities of (\$930,843) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	(930,843)
--	------------

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>894,317</u>)
---	--------------------

Net Position of Governmental Activities	<u>2,575,739</u>
--	-------------------------

See accompanying notes to financial statements.

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

Total Fund Balances - Total Governmental Funds	1,204,144
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$2,337,197, net of accumulated depreciation of (\$2,170,486), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	2,166,701
Long-term liabilities of (\$930,843) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	(930,843)
The City of Bowling Green'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.	(89,917)
Net Position of Governmental Activities	2,371,185

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, 2016**

	General Fund	Special Revenue Funds	Total Governmental Funds
REVENUES			
Property Taxes	85,170	-	85,170
Occupational Licenses and Tax	907,418	-	907,418
Insurance Premiums Tax	187,345	-	187,345
Franchise Fees	9,605	-	9,605
Intergovernmental Revenue	38,016	31,812	69,828
Penalties and Fines	127	-	127
Parks and Recreation	47,974	-	47,974
Other	<u>12,414</u>	<u>-</u>	<u>12,414</u>
Total Revenues	<u>1,288,069</u>	<u>31,812</u>	<u>1,319,881</u>
EXPENDITURES			
Current			
General Government	186,103	-	186,103
Public Safety			
Police	456,004	-	456,004
Fire	28,873	-	28,873
E911	73,314	-	73,314
Street Department	3,550	34,635	38,185
Parks and Recreation	270,640	-	270,640
Capital Outlay			
General Government	9,155	-	9,155
Police	124,132	-	124,132
Park	20,950	-	20,950
Debt Service			
Principal	104,531	-	104,531
Interest	40,626	-	40,626
Agent Fees	<u>6,066</u>	<u>-</u>	<u>6,066</u>
Total Expenditures	<u>1,323,944</u>	<u>34,635</u>	<u>1,358,579</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(35,875)</u>	<u>(2,823)</u>	<u>(38,698)</u>
OTHER FINANCING SOURCES			
Interest Income	3,876	35	3,911
Surplus Property Sales	4,515	-	4,515
Grant Proceeds	51,500	-	51,500
Transfers In and (Out)	<u>17,109</u>	<u>(17,109)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>77,000</u>	<u>(17,074)</u>	<u>59,926</u>
NET CHANGES IN FUND BALANCES	<u>41,125</u>	<u>(19,897)</u>	<u>21,228</u>
FUND BALANCES - BEGINNING	<u>1,156,385</u>	<u>56,585</u>	<u>1,212,970</u>
FUND BALANCES - ENDING	<u>1,197,510</u>	<u>36,688</u>	<u>1,234,198</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, 2010**

REVENUES		General Fund	Special Revenue Funds	Total Governmental Funds
Property Taxes		66,170		66,170
Occupational License and Tax		907,418		907,418
Insurance Premium Tax		187,345		187,345
Franchise Fee		9,605		9,605
Intergovernmental Revenue		38,010	21,813	59,823
Permits and Fines		127		127
Parks and Recreation		57,974		57,974
Other		12,414		12,414
Total Revenues		1,286,086	21,813	1,310,891
EXPENDITURES				
General Government		188,103		188,103
Public Safety		488,004		488,004
Police		28,873		28,873
Fire		17,314		17,314
EMT		2,320	24,638	26,958
Street Department		270,840		270,840
Parks and Recreation		2,132		2,132
Capital Outlay		124,132		124,132
General Government		20,950		20,950
Police		104,831		104,831
Public Safety		40,850		40,850
Internal		6,000		6,000
Agent Fees				
Total Expenditures		1,282,844	24,638	1,308,879
EXCESS OF REVENUES OVER EXPENDITURES		(2,876)	(2,825)	(3,501)
OTHER FINANCING SOURCES				
Interest Income		3,876	38	3,914
Grants Property Sales		4,615		4,615
Grant Proceeds		21,500		21,500
Transfers In and Out		(17,100)	(17,100)	0
Total Other Financing Sources (Uses)		17,930	(17,062)	868
NET CHANGES IN FUND BALANCES		47,128	(18,887)	28,241
FUND BALANCES - BEGINNING		1,163,266	60,666	1,223,932
FUND BALANCES - ENDING		1,210,394	41,779	1,252,173

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, 2016

Net Changes in Fund Balances – Total Governmental Funds

21,228

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 capital outlays of \$154,237 exceeded depreciation of (\$101,911) in the current period. See Note 3 for additional details.

52,326

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 \$104,531. See Note 3 for additional details.

104,531

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.

(109,016)

Change in Net Position of Governmental Activities

69,069

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

ASSETS	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CURRENT ASSETS				
Cash on Hand and in Banks	1,749,484	239,924	955,502	2,944,910
Investments	-	-	385,167	385,167
Receivables, Net of Allowance for Uncollectible Accounts				
Trade Accounts	136,377	19,952	37,831	194,160
Due from Other Governments	146,710	-	-	146,710
Internal Receivable	312,286	-	127,388	439,674
Total Current Assets	2,344,857	259,876	1,505,888	4,110,621
RESTRICTED ASSETS				
Cash and Savings				
Sinking Funds	150,626	66,233	-	216,859
Funded Depreciation	378,814	7,879	-	386,693
Other Cash	340,980	2	-	340,982
Total Restricted Assets	870,420	74,114	0	944,534
NON-CURRENT ASSETS				
Capital Assets				
Land	88,363	1,500	-	89,863
Other Capital Assets, Net of Accumulated Depreciation	6,567,051	3,732,628	1,476,579	11,776,258
Deposits	85	-	-	85
Total Non-Current Assets	6,655,499	3,734,128	1,476,579	11,866,206
TOTAL ASSETS	9,870,776	4,068,118	2,982,467	16,921,361
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	90,033	12,425	79,544	182,002

LIABILITIES AND FUND EQUITY	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CURRENT LIABILITIES				
Accounts Payable	53,894	2,185	17,492	73,571
Accrued Expenses				
School Tax	3,753	-	1,848	5,601
Sales Tax	2,231	248	620	3,099
Vacation Accrual	14,695	1,794	15,692	32,181
Meter Deposits	253,951	-	147,993	401,944
Current Portion of Loans Payable	18,461	-	70,000	88,461
Internal Payable	550,120	312,286	31,166	893,572
Total Current Liabilities	897,105	316,513	284,811	1,498,429
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	38,598	2,111	-	40,709
Current Portion of Revenue Bonds	91,800	14,800	-	106,600
Total Liabilities Payable From Restricted Assets	130,398	16,911	0	147,309
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing Revenue Bonds Payable	1,849,343	657,400	-	2,506,743
Loans Payable				
Kentucky League of Cities	-	-	111,250	111,250
KIA	128,249	-	-	128,249
Net Pension Liability	393,483	58,900	384,377	836,760
Total Non-Current Liabilities	2,371,075	716,300	495,627	3,583,002
TOTAL LIABILITIES	3,398,578	1,049,724	780,438	5,228,740
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	26,548	3,939	25,695	56,182
NET POSITION				
Invested in Capital Assets, Net of Related Debt	4,714,271	3,061,928	1,295,329	9,071,528
Restricted for				
Debt Service	529,440	74,112	-	603,552
Sewer Project	-	2	-	2
Other	340,980	-	-	340,980
Unrestricted (Deficit)	950,992	(109,162)	960,549	1,802,379
TOTAL NET POSITION	6,535,683	3,026,880	2,255,878	11,818,441

See accompanying notes to financial statements.

See accompanying notes to financial statements.

TOTAL NET POSITION			
2,252,482	2,026,002	2,252,076	11,814,441
Unassigned (Deficit)			
450,992	(109,762)	960,649	1,802,379
Other			
340,980	-	-	340,980
Sewer Project			
522,440	24,112	-	603,552
Restricted for			
Debt Service			
Met of Retired Debt			
4,714,271	3,081,028	1,592,329	9,071,598
Invested in Capital Assets			
NET POSITION			
Deferred Refunds or			
Reserves			
26,848	3,938	22,902	62,782
Deferred Pension Credits			
TOTAL LIABILITIES			
3,282,278	1,940,124	280,238	5,222,740
Total Non-Current Liabilities			
2,271,072	718,500	482,627	3,282,092
Net Pension Liability			
393,483	28,700	364,377	856,700
KIA			
128,249	-	-	128,249
Illinois League of Cities			
Loan Payable			
1,829,343	627,400	-	2,596,743
Long-Term Portion of Financing			
NON-CURRENT LIABILITIES			
From Restricted Assets			
120,398	18,971	0	142,369
Total Liabilities Payable			
91,800	14,800	-	106,600
Current Portion of Revenue Bonds			
Accrued Interest			
26,296	2,111	-	40,702
RESTRICTED ASSETS			
LIABILITIES PAYABLE FROM			
Total Current Liabilities			
597,196	210,573	224,811	1,498,459
Internal Payable			
250,120	212,288	21,100	683,508
Current Portion of Loans Payable			
18,461	-	70,000	88,461
Meter Deposits			
253,981	-	147,993	401,974
Vacation Accrual			
18,802	1,704	12,692	32,181
Sales Tax			
2,231	242	620	3,093
School Tax			
3,783	-	1,848	5,631
Accrued Expenses			
58,894	2,762	17,492	79,148
CURRENT LIABILITIES			
LIABILITIES AND FUND EQUITY			
Enterprise Funds			
Water	Sewer	Wastewater	Total

CITY OF EDMONTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
OPERATING REVENUES				
Charges for Services	1,432,298	216,924	984,704	2,633,926
Miscellaneous	71,125	4,338	14,895	90,358
Total Operating Revenues	1,503,423	221,262	999,599	2,724,284
OPERATING EXPENSES				
Salaries and Wages	253,873	34,013	195,656	483,542
Gas Purchased	-	-	421,172	421,172
Water Purchased	472,982	-	-	472,982
Utilities and Telephone	41,203	44,573	6,115	91,891
Materials and Supplies	91,548	18,822	23,766	134,136
Auto Expense	19,164	562	17,739	37,465
Insurance	90,293	14,984	92,413	197,690
Postage and Freight	9,187	1,125	8,052	18,364
Depreciation	292,344	50,213	56,802	399,359
Legal and Accounting	9,622	2,950	8,850	21,422
Payroll Taxes and Retirement	99,932	14,797	92,962	207,691
Miscellaneous Expenses	30,113	15,346	24,683	70,142
Bad Debt Expense	8,055	1,911	3,088	13,054
Total Operating Expenses	1,418,316	199,296	951,298	2,568,910
OPERATING INCOME	85,107	21,966	48,301	155,374
NON-OPERATING REVENUES (EXPENSES)				
Grant Income	-	324,706	-	324,706
Gain (Loss) on Sale of Assets	(1,139)	2,525	-	1,386
Interest Income	10,801	1,486	6,273	18,560
Bond Interest	(86,726)	(19,002)	-	(105,728)
Loan Interest	-	-	(7,438)	(7,438)
Loan Fees	-	-	(1,070)	(1,070)
Total Non-Operating Revenues (Expenses)	(77,064)	309,715	(2,235)	230,416
INCREASE IN NET POSITION	8,043	331,681	46,066	385,790
NET POSITION - BEGINNING	6,527,640	2,695,199	2,209,812	11,432,651
NET POSITION - ENDING	6,535,683	3,026,880	2,255,878	11,818,441

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	1,425,923	216,619	974,168	2,616,710
Cash Payments to Suppliers for Goods and Services	(746,324)	(155,475)	(605,991)	(1,507,790)
Cash Payments to Employees for Services	(307,707)	(40,264)	(243,271)	(591,242)
Other Operating Revenues	<u>71,125</u>	<u>4,338</u>	<u>14,895</u>	<u>90,358</u>
Net Cash Provided by Operating Activities	<u>443,017</u>	<u>25,218</u>	<u>139,801</u>	<u>608,036</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant Proceeds Received	-	324,706	-	324,706
Acquisition of Capital Assets	(17,819)	(216,560)	(14,995)	(249,374)
Proceeds from Sale of Assets	1,040	2,525	-	3,565
Payments on Revenue Bonds	(86,600)	(119,500)	-	(206,100)
Kentucky League of Cities	-	-	(67,083)	(67,083)
Interest Paid on Revenue Bonds and Notes Payable	(95,471)	(19,002)	(8,508)	(122,981)
Net Cash Used by Capital and Related Financing Activities	<u>(198,850)</u>	<u>(27,831)</u>	<u>(90,586)</u>	<u>(317,267)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	<u>10,801</u>	<u>1,486</u>	<u>6,273</u>	<u>18,560</u>
Net Cash Provided by Investing Activities	<u>10,801</u>	<u>1,486</u>	<u>6,273</u>	<u>18,560</u>
NET INCREASE (DECREASE) IN CASH	254,968	(1,127)	55,488	309,329
CASH - BEGINNING OF YEAR	<u>1,494,516</u>	<u>241,051</u>	<u>900,014</u>	<u>2,635,581</u>
CASH - END OF YEAR	<u><u>1,749,484</u></u>	<u><u>239,924</u></u>	<u><u>955,502</u></u>	<u><u>2,944,910</u></u>

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	85,107	21,966	48,301	155,374
Adjustments for Items not Providing or Using Cash				
Depreciation	292,344	50,213	56,802	399,359
(Gain) Loss on disposal of Assets	1,139	(2,525)	-	(1,386)
(Increase) Decrease in				
Receivables, Net of Allowance				
Trade Accounts	(6,375)	(305)	(10,536)	(17,216)
Restricted Assets - Cash and Savings				
Sinking Funds	28,543	(1,022)	-	27,521
Funded Depreciation Funds	(16,792)	(2,793)	-	(19,585)
Other Cash	(1,551)	-	(1,732)	(3,283)
Increase (Decrease) in				
Accounts Payable	6,772	(48,940)	(1,786)	(43,954)
Accrued Expenses				
School Tax	1,254	-	(591)	663
Sales Tax	1,139	78	(446)	771
Vacation Accrual	5,769	1,629	(1,279)	6,119
Meter Deposits	5,339	-	4,442	9,781
Due to Other Funds	-	-	-	0
Pension Deferred Inflows/Outflows	<u>40,329</u>	<u>6,917</u>	<u>46,626</u>	<u>93,872</u>
Net Cash Provided by Operating Activities	<u>443,017</u>	<u>25,218</u>	<u>139,801</u>	<u>608,036</u>

See accompanying notes to financial statements.

See accompanying notes to financial statements.

Net Cash Provided
by Operating Activities

Person Deferred Inflows/Outflows
Due to Other Funds
Meter Deposits
Vacation Accrual
Sales Tax
School Tax
Accrued Expenses
Accounts Payable
Increase (Decrease) in

Other Cash

Funded Depreciation Funds

Sinking Funds

Restricted Assets - Cash and Savings

Trade Accounts

Prepaid Expenses, Net of Allowance

(Increase) Decrease in

(Gain) Loss on Disposal of Assets

Depreciation

or Using Cash

Adjustments for Items not Providing

Operating Income

Provided by Operating Activities

RECONCILIATION OF OPERATING
INCOME TO NET CASH

Enterprise Funds			
General	Debt	Capital	Total
443,073	30,318	139,881	613,272
40,389	6,913	45,008	92,310
2,339	1,829	442	4,610
2,109	75	449	2,633
1,554		881	2,435
6,772	(48,940)	(1,788)	(43,956)
(1,551)	(1,783)	(1,783)	(5,117)
(18,789)	(2,789)	(1,032)	(22,610)
23,643	(1,032)		22,611
(8,178)	(303)	(10,886)	(19,367)
202,344	60,273	56,002	318,619
62,107	21,086	48,301	131,494

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

The City of Edmonton was established in 1880. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), transportation, 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 basis for not 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 financial relationships, regardless of whether the City is able to exercise oversight responsibility. There are two methods of presentation of Component Units.

BLANDED COMPONENT UNITS

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

DISCREETLY 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 contained 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-Stettin 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 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, 2016

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

Fund Financial Statements

The statement of activities reports the expense 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 subunit 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 annually imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are treated 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 Accounting Principles and Procedures 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 accounting resources measurement focus and the accrual basis of accounting generally including the recognition or deferral 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 the same focus and basis of accounting although internal activity is not categorized 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 either 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, 2016

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
CONSOLIDATED

collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, except for general obligation bonds 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 further information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are derived from 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 and Air Fund - accounts for the revenues and expenditures of Kentucky gas tax refunds.

Lottery Fund - accounts for the revenues and expenditures of minimal 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 to maintain its investment funds in a manner which will provide the highest investment return with

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

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,

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Cash and Investments - Continued

The primary 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 2.

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. Capital assets are stated at fair value on the date acquired. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction costs 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:

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

For information describing capital assets, see Note 6.

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 redemption price and the net carrying value of refunded debt are capitalized and amortized over the term 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 addition 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, 2016

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 rational 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 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, 2016.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Deferred Outflows and Inflows of Resources - Continued

Deferred outflows of resources represent 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 outflow of resources. The City reports deferred pension charges in its statement 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 GASB.

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 inflow of resources. The City reports deferred pension credits in its statement of net position in connection with its participation in the County Employees Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GASB.

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

Fund Balance - Governmental Funds

The City of Edimont, Kentucky, has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance categories to make a fund's name and extent of the constraints placed on a government's fund balance 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 Edimont, 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, 2018.

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, 2016**

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, 2016.

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, 2016.

Unassigned – This classification includes amounts that are available for any purpose. At June 30, 2016, 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 \$78,342 at June 30, 2016.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Fund Balances - Governmental Funds - Continued

Constitutional provisions of 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 and L&EA 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 commitments. 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 \$26,342 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 water and sewer services is jointly owned by the City of Edmonton and Metairie County.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2016. Annual budgets for all governmental fund types were adopted on a basis consistent with accounting principles generally accepted in the United States.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 first arise from changes in actuarial assumptions of asset returns and differences between expected or actual experience and assumptions 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. Provided earnings on defined 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.

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 budget for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Capital 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 affect 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, 2018. Annual budgets for all governmental funds 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, 2016

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, 2016, City of Edmonton, Kentucky's (book) deposits were \$5,077,631, and the bank balance was \$5,107,531 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, 2016, the City had funds of \$4,357,531 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 \$85,797. 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.

1. DETAILED NOTES ON FINANCIAL STATEMENTS

ASSETS

CASH, DEPOSITS AND INVESTMENTS

In March 2008, the GASB issued Statement No. 40, Deposits and Investments 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 credit risk. GASB Statement No. 40 addresses not only credit risk, but other common areas of investment risk as well, including interest rate risk, credit risk, and concentration of credit risk.

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.

At June 30, 2015, City of Edmonton, Kentucky's (bank) deposits were \$2,077,631, and the bank balance was \$2,107,631 at Edmonton State Bank. The FDIC insured demand deposits under one dollar up to \$250,000 at one institution, and time deposits are insured for another \$250,000. Bond interest and sinking fund payments are insured up to \$250,000 per beneficial interest. At June 30, 2015, the City had funds of \$4,827,631 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-Metropolitan Development Authority has a bank account balance of \$52,737. These amounts do not exceed FDIC insurance limits and are held for or solely 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 investment policy does not invest in securities as a means of managing the 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 expiring five years to maturity. Reserve funds may be invested in securities exceeding five years, if maturing 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, 2016

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.

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS - CONTINUED

Government 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 anticipated 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 type 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 agreement 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. Federal Home Administration;
- d. Government National Mortgage Corporation; and
- e. National Marine Bank.

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 Bank;
- c. Bank for Cooperatives;
- d. Federal Intermediate Credit Bank;
- e. Federal Land Bank;
- f. Federal Home Loan Bank;
- 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 permitted 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, 2016

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, 2016, taxes were levied on November 1, 2015, and due and payable on February 28, 2016. 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 .085 per \$100 of assessed valuation of real property and .085 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, 2016, the receivable for property taxes was \$2,213.

Enterprise Fund Receivables and Uncollectible Accounts

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

8. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH, DEPOSITS AND INVESTMENTS - CONTINUED

Consolidation of Credit Risk - Continued

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 of 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 Metairie 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 Metairie County, and the annual increase in the property tax levy cannot exceed 4%. For the year ended June 30, 2018, taxes were levied on November 1, 2017, and due and payable on February 28, 2018. 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 .065 per \$100 of assessed valuation of real property and .045 per \$100 of assessed valuation of personal property. Taxes are placed on property for delinquent taxes. All property taxes receivable at June 30 are considered delinquent. As of June 30, 2018, the receivable for property taxes was \$23.13.

Enterprise Fund Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers, primarily for utility services. Certain enterprise funds report 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, 2016

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, 2016:

	Water	Sewer	Natural Gas	Total Enterprise Funds
Accounts Receivable	227,480	37,009	100,333	364,822
Allowance for Uncollectibles	(91,103)	(17,057)	(62,502)	(170,662)
Accounts Receivable, Net	<u>136,377</u>	<u>19,952</u>	<u>37,831</u>	<u>194,160</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.

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

RECEIVABLES - CONTINUED

Receivables from Residents and Uncollectible Accounts - Continued

Following is a summary of the accounts receivable and allowances for uncollectible accounts as of June 30, 2018:

	General Fund	Special Fund	Capital Fund	Enterprise Fund
Accounts Receivable	237,480	37,009	100,308	384,897
Allowance for Uncollectibles	(21,103)	(17,007)	(82,602)	(120,712)
Accounts Receivable, Net	216,377	20,002	17,706	264,185

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 local 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, 2016

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 6-30-15	Additions	Deletions	Balance 6-30-16
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	3,255	5,702	300,651
Vehicles	668,196	130,032	95,021	703,207
Streets and Sidewalks	287,979	-	-	287,979
Municipal Park	952,153	20,950	-	973,103
	<u>5,283,683</u>	<u>154,237</u>	<u>100,723</u>	<u>5,337,197</u>
Less Accumulated Depreciation	<u>2,169,307</u>	<u>101,912</u>	<u>100,723</u>	<u>2,170,496</u>
Governmental Activities Capital Assets, Net	<u>3,114,376</u>	<u>52,325</u>	<u>0</u>	<u>3,166,701</u>
Business-type Activities				
Land	89,863	-	-	89,863
Buildings and Improvements	19,045,785	190,832	-	19,236,617
Equipment	635,695	1,684	-	637,379
Vehicles	243,869	58,243	72,320	229,792
	<u>20,015,212</u>	<u>250,759</u>	<u>72,320</u>	<u>20,193,651</u>
Less Accumulated Depreciation	<u>7,998,314</u>	<u>399,359</u>	<u>70,143</u>	<u>8,327,530</u>
Business-type Activities Capital Assets, Net	<u>12,016,898</u>	<u>(148,600)</u>	<u>2,177</u>	<u>11,866,121</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>-</u>	<u>-</u>	<u>2,590,265</u>
Less Accumulated Depreciation	<u>481,777</u>	<u>56,259</u>	<u>-</u>	<u>538,036</u>
Industrial Development Capital Assets, Net	<u>2,108,488</u>	<u>(56,259)</u>	<u>-</u>	<u>2,052,229</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

2. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CAPITAL ASSETS

Depreciation is reported 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 debt. Business-type activities include construction funded with revenue bonds payable and other charges. Following is a summary of changes in capital assets.

	Balance 6-30-12	Additions	Deletions	Balance 6-30-12
PRIMARY GOVERNMENT				
Governmental Activities				
Land	1,728,858			1,728,858
Land Improvements	7,700			7,700
Buildings and Improvements	1,302,866			1,302,866
Equipment and Furnishings	303,098			303,098
Vehicles	666,199			666,199
Streets and Sidewalks	587,979			587,979
Municipal Park	957,179			957,179
Less Accumulated Depreciation	2,169,307	154,237	109,723	2,113,821
Capital Assets, Net	2,113,821	50,336	0	2,164,157
Business-type Activities				
Land	80,808			80,808
Buildings and Improvements	19,046,795			19,046,795
Equipment	635,896			635,896
Vehicles	543,899			543,899
Less Accumulated Depreciation	7,969,914	891,359	70,143	8,978,108
Capital Assets, Net	12,046,588	891,359	70,143	13,867,804
COMPONENT UNIT				
Industrial Development				
Land	187,007			187,007
Buildings	755,418			755,418
Electrical Transmission Lines	1,647,755			1,647,755
Less Accumulated Depreciation	2,460,285	55,259		2,515,544
Capital Assets, Net	2,129,895	55,259	-	2,185,154

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONCLUDED

DEPRECIATION EXPENSE

Depreciation expense was charged to governmental functions as follows:

PRIMARY GOVERNMENT

Governmental Activities

General Government	44,207
Police	12,413
Parks and Recreation	<u>45,291</u>

Total Depreciation Expense – Governmental Activities **101,911**

Business-type Activities

Water	292,344
Sewer	50,213
Natural Gas	<u>56,802</u>

Total Depreciation Expense – Business-type Activities **399,359**

TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT **501,270**

COMPONENT UNIT

Industrial Development	<u>56,258</u>
------------------------	----------------------

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, 2016, was \$664,289.

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, 2016, was \$76,554.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONCLUDED

DEPRECIATION EXPENSE

Depreciation expense was charged to governmental funds as follows:

PRIMARY GOVERNMENT	
Governmental Activities	
General Government	44,387
Police	15,413
Parks and Recreation	45,291
Total Depreciation Expense - Governmental Activities	105,091
Business-type Activities	
Water	505,314
Sewer	505,113
Natural Gas	55,895
Total Depreciation Expense - Business-type Activities	1,066,322
TOTAL DEPRECIATION EXPENSE - PRIMARY GOVERNMENT	1,171,413
COMPONENT UNIT	
Industrial Development	85,508

LIABILITIES

CAPITAL LEASES - GOVERNMENTAL ACTIVITIES

General Obligation Lease

On November 28, 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 returned to the City of Edmonton. The balance of the lease at June 30, 2016, was \$854,589.

Special Obligation Lease

On November 28, 2008, the City entered into an annually renewable lease agreement with the Kentucky League of Cities Funding Trust. The total amount of the lease was \$1,125,000 payable in monthly principal and interest installments beginning January 15, 2009, and ending December 15, 2038. 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 returned to the City of Edmonton. The balance of the lease at June 30, 2016, was \$758,254.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2016, was \$190,000.

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, 2016, the balance of the note and interest was \$146,710.

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 \$181,250 as of June 30, 2016. The interest is 3% 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, 2016:

1980 Issue	19,000
1982 Issue - Series A	43,000
1982 Issue - Series C	5,000
1984 Issue	270,943

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 \$228,000 due as of June 30, 2016.

5. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

CAPITAL LEASES - GOVERNMENTAL ACTIVITIES - CONTINUED

LEASE

On October 10, 2002, the City entered into an annual renewable lease agreement with the Kentucky State Development Office Building Fund. The total amount of the lease was \$430,000 payable in annual principal payments beginning November 30, 2003, and semi-annual interest payments on May 30 and November 30. The lease bears interest at a variable rate ranging from 2.5% to 4.8% and matures November 30, 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, 2018, was \$199,000.

LEASE PAYABLES - BUSINESS-TYPE ACTIVITIES

Kentucky Infrastructure Authority

There is a loan payable to Kentucky Infrastructure Authority dated July 1, 2014 in the amount of \$17,307. The loan bears interest at 0.75% and matures on June 1, 2024. Proceeds of the loan were used for water line extensions on Chase Avenue Road. There is a Memorandum of Agreement between the City of Edmonton and Metairie County Fiscal Court, who is making the payments. There is a receivable from Metairie County Fiscal Court equal to the amount of the note. As of June 30, 2018, the balance of the note and interest was \$14,719.

Kentucky League of Cities

There is a loan payable to Kentucky League of Cities. Proceeds from the loan are being used to finance expansion to the gas system of the City. The loan balance was \$181,550 as of June 30, 2018. The interest is 5% 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 Bankers Commercial Mortgage Corporation by Federal Home Administration in prior years. These bonds mature each January 1 through 2031 and bear interest at the rate of 8% with the following amounts due as of June 30, 2018:

1980 issue	19,000
1982 issue - Series A	43,000
1982 issue - Series C	2,500
1984 issue	270,545

These Issues

The water and sewer revenue bond of 1980 was issued in 1980 and was assigned to Bankers Commercial Mortgage Corporation by Federal Home Administration in prior years. This bond matures each January 1 through 2031 and bears interest at the rate of 8% with \$220,000 due as of June 30, 2018.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

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 \$221,000 due as of June 30, 2016.

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 \$318,000 due as of June 30, 2016.

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 \$154,200 due as of June 30, 2016.

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 \$89,500 due as of June 30, 2016.

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 \$682,000 due as of June 30, 2016.

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 \$582,700 due as of June 30, 2016.

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

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 RFD on August 15, 1993, in the amount of \$231,000. 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 1998 and ending in 2033. The bond bears interest at the rate of 5% with \$231,000 due as of June 30, 2016.

1995 issue

The water and sewer revenue bond of 1995 was issued to RFD on April 26, 1995, in the amount of \$244,000. 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 2032. The bond bears interest at the rate of 4.5% with \$244,000 due as of June 30, 2016.

1997 issue

The water and sewer revenue bond of 1997 was issued to RFD on June 25, 1997, in the amount of \$251,000. 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 2032. The bond bears interest at the rate of 4.5% with \$251,000 due as of June 30, 2016.

2000 issue

The water and sewer revenue bond series of 2000 was issued to RFD 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 2032. The bond bears interest at the rate of 4.5% with \$114,000 due as of June 30, 2016.

2002 issue

The water revenue bond series of 2002 was issued to RFD on March 20, 2002, in the amount of \$214,000. 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 2032. The bond bears interest at the rate of 4.5% with \$214,000 due as of June 30, 2016.

2013 issue

The water and sewer revenue bond series of 2013 was issued to RFD on August 12, 2013, in the amount of \$300,000. The proceeds were used to retire interim financing provided for a sewer rehabilitation project. The bond matures each January 1 beginning in 2016 and ending in 2023. The bond bears interest at the rate of 2.125% with \$300,000 due as of June 30, 2016.

There were restrictions created in the First 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, 2016**

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

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

- d) Construction 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 proceeds generated by and in connection with the issuance of the Outstanding Bonds, including proceeds 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 operation, distribution and custody of the revenues derived from the operation of the System; the enforcement and payment of the Outstanding Bonds and (iv) the depreciation of the System, and all other revenues for the benefit of the Bond owners set out in the Bond Ordinance, are hereby called and confirmed and shall continue in force and have 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, aggregated, 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 money in the Revenue Fund shall continue to be used, disbursed and applied by the City only for the purposes and in the manner and order of priorities specified in the Bond Ordinance, as hereinafter modified by this Ordinance, all as determined 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 30th 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-half (1/2) 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 to provide for capitalized interest during the construction of the Project, estimated at \$25,000.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

Second Lien Sinking Fund - Concluded

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>187,887</u>
Transfers Over (Under) Requirement	(27,521)
Beginning Balance – Sinking Funds	<u>244,380</u>
Ending Balance – Sinking Funds	<u>216,859</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, 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	95,471	115,600	211,071
June 30, 2021	<u>90,239</u>	<u>118,000</u>	<u>208,239</u>
	<u>501,484</u>	<u>556,900</u>	<u>1,058,384</u>

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 previously expensed in paying interest on interest financing and it 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 paragraph have been paid from the Revenue Fund, there shall not be transferred monthly from said Revenue Fund and deposited into the Second Lien Sinking Fund on or before the 25th 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.

216,408	Annual Debt Service Requirement
167,867	Actual Transfer
(27,521)	Transfers Over (Under) Requirement
244,880	Beginning Balance - Sinking Fund
216,408	Ending Balance - Sinking Fund

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

The 1999 and 1998 sinking fund requirements for the next five years are as follows:

June 30, 2017	Interest	Principal	Annual Requirement
116,083	105,800	105,800	216,083
106,243	105,800	105,800	211,743
100,463	100,000	100,000	201,263
95,471	100,000	100,000	195,471
90,233	100,000	100,000	190,233
84,489	100,000	100,000	184,489

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2016, the depreciation fund had a balance of \$386,693, 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 as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses and establishing and maintaining a reserve equal to three (3) months' operation and maintenance expenses of such System. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and said reserve established. Any funds remaining in such Operation and Maintenance Fund after meeting the expenses of operating such System shall be transferred to the Revenue Fund and disbursed in accordance with the provisions.

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 as 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 revenue of the System remaining after the required transfer of the sum of \$2500 whichever is greater, plus (ii) the sum of \$1,175 with 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, 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 \$27,084 is reached and maintained. As of June 30, 2018, the Depreciation Fund had a balance of \$266,983, 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 original and interest repayments 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 transfer hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in contract 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 expense 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, 2016

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

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

Operation and Maintenance Fund - Continued

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 business day.

Investment and Miscellaneous Provisions

All monies in the Sinking Fund and the Operation 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 Operation 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 same are 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 or deposit in the Depository Bank shall exceed 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 68.480 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 200 herein.

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 as Requested by the FD

In the event that USGARD is the Registered Owner of the Series 2002 Bonds, then in the event USGARD so desires payments to USGARD from the Second Lien Fund for principal and interest on the Series 2002 Bonds shall be made directly to principal installments on the Second Lien Bonds and Series 2002 Bonds shall be made directly to USGARD on a monthly basis. The City shall submit the Electronic Funds Transfer Payment Authorization Form (Form 27-2861) in order to effect Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") and provide electronic transfer payments due on the Series 2002 Bonds. It is

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2016, was \$130,912.

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONCLUDED

Monthly principal and interest payments are requested by the FD - Concluded

provided further that as long as USDBAD is the Registered Owner of the Series 2012 Bonds, monies on deposit in all of the various accounts established or maintained by the City shall be secured as requested by USDBAD. Therefore, the City shall, if requested by USDBAD, make the payments required in monthly installments to USDBAD or to the interest owners of the Series 2012 Bonds.

Bond Substitutions and Pledges

The provisions of the Ordinance authorizing the First Lien Series A, B, and C 1982 Bonds make 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 2012 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 30, 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 loan drawn on the loan was \$248,000. Construction was completed in November 2012, and the loan became due and payable in monthly installments of \$1,513 and bears interest at 3.875% per annum. The balance at June 30, 2012, was \$180,945.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2016:

	Balance 6-30-15	Issued	Retired	Balance 6-30-16	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
General Obligation Leases					
Municipal Park	735,602	-	71,313	664,289	74,944
Special Obligation Lease					
Municipal Park	84,772	-	8,218	76,554	8,637
KADD - City Hall	<u>215,000</u>	<u>-</u>	<u>25,000</u>	<u>190,000</u>	<u>25,000</u>
Total Governmental Activities	<u>1,035,374</u>	<u>0</u>	<u>104,531</u>	<u>930,843</u>	<u>108,581</u>
Business-type Activities					
Loans Payable					
KY Infrastructure Authority	165,205	-	18,495	146,710	18,461
Kentucky League of Cities	<u>248,333</u>	<u>-</u>	<u>67,083</u>	<u>181,250</u>	<u>70,000</u>
	<u>413,538</u>	<u>0</u>	<u>85,578</u>	<u>327,960</u>	<u>88,461</u>
Revenue Bonds Payable					
1980 Issue	23,000	-	4,000	19,000	4,500
1982 Issue - Series A	50,500	-	7,500	43,000	8,000
1982 Issue - Series C	10,000	-	5,000	5,000	5,000
1984 Issue	293,943	-	23,000	270,943	25,000
1990 Issue	238,000	-	10,000	228,000	11,000
1993 Issue	229,000	-	8,000	221,000	9,000
1995 Issue	328,000	-	10,000	318,000	10,000
1996 Issue	159,300	-	5,100	154,200	5,300
2000 Issue	91,700	-	2,200	89,500	2,300
2002 Issue	696,000	-	14,000	682,000	14,000
2013 Issue	<u>700,000</u>	<u>-</u>	<u>117,300</u>	<u>582,700</u>	<u>12,500</u>
	<u>2,819,443</u>	<u>0</u>	<u>206,100</u>	<u>2,613,343</u>	<u>106,600</u>
Total Business-type Activities	<u>3,232,981</u>	<u>0</u>	<u>291,678</u>	<u>2,941,303</u>	<u>195,061</u>
COMPONENT UNIT					
Industrial Program					
Edmonton State Bank	<u>143,577</u>	<u>-</u>	<u>12,665</u>	<u>130,912</u>	<u>13,187</u>
Total Industrial Program	<u>143,577</u>	<u>0</u>	<u>12,665</u>	<u>130,912</u>	<u>13,187</u>

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 6-30-15	Revised	Issued	Balance 6-30-16	One Year
PRIMARY GOVERNMENT				
Governmental Activities				
General Obligation Issues				
74,944	68,488	71,912	-	74,944
Special Obligation Issues				
6,937	18,534	8,512	-	6,937
58,000	100,000	52,000	-	58,000
109,881	86,992	104,424	0	109,881
Business-type Activities				
Leases Payable				
18,481	143,710	18,481	-	18,481
10,000	181,230	67,882	-	10,000
8,512	337,660	85,910	0	8,512
Financing Bonds Payable				
2,000	18,000	4,000	-	2,000
2,000	42,000	7,500	-	2,000
2,000	2,000	2,000	-	2,000
22,000	270,943	28,000	-	22,000
11,000	328,000	10,000	-	11,000
8,000	351,000	8,000	-	8,000
10,000	318,000	10,000	-	10,000
2,000	164,200	7,100	-	2,000
2,000	83,200	2,200	-	2,000
14,000	682,000	14,000	-	14,000
12,000	582,700	117,700	-	12,000
109,881	2,943,943	2,067,707	0	109,881
109,881	2,941,943	2,065,707	0	109,881
COMPONENT UNIT				
Industrial Program				
10,187	130,812	12,885	-	10,187
10,187	130,812	12,885	0	10,187

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2016, were as follows:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
Capital Leases			
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	131,948	19,706	151,654
June 30, 2022 - 2024	338,154	15,711	353,865
	<u>930,843</u>	<u>155,720</u>	<u>1,086,563</u>
Total Governmental Activities	<u>930,843</u>	<u>155,720</u>	<u>1,086,563</u>
Business-type Activities			
Loans Payable			
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	17,684	638	18,322
June 30, 2022 - 2024	53,855	896	54,751
	<u>322,217</u>	<u>15,718</u>	<u>337,935</u>
Revenue Bonds Payable			
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	118,000	90,239	208,239
June 30, 2022 - 2026	558,743	371,632	930,375
June 30, 2027 - 2031	532,500	255,049	787,549
June 30, 2032 - 2036	439,000	143,911	582,911
June 30, 2037 - 2041	306,000	73,753	379,753
June 30, 2042 - 2046	151,000	27,502	178,502
June 30, 2047 - 2049	69,200	9,614	78,814
	<u>2,613,343</u>	<u>1,382,945</u>	<u>3,996,288</u>
Total Business-type Activities	<u>2,935,560</u>	<u>1,398,663</u>	<u>4,334,223</u>

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2018, were as follows:

PRIMARY GOVERNMENT Governmental Activities	Principal	Interest	Total
Capital Leases			
June 30, 2017	108,881	37,118	145,999
June 30, 2018	119,896	35,415	155,311
June 30, 2019	117,309	38,105	155,414
June 30, 2020	153,016	23,074	176,090
June 30, 2021	151,948	19,700	171,648
June 30, 2022 - 2024	338,164	12,711	350,875
	<u>859,815</u>	<u>156,139</u>	<u>1,015,954</u>
Total Governmental Activities	<u>859,815</u>	<u>156,139</u>	<u>1,015,954</u>
Business-type Activities			
Loans Payable			
June 30, 2017	87,102	8,734	95,836
June 30, 2018	87,595	4,400	91,995
June 30, 2019	57,971	5,736	63,707
June 30, 2020	17,859	604	18,463
June 30, 2021	17,854	838	18,692
June 30, 2022 - 2024	68,882	800	69,682
	<u>257,217</u>	<u>12,718</u>	<u>269,935</u>
Revenue Bonds Payable			
June 30, 2017	108,800	149,083	257,883
June 30, 2018	102,000	102,543	204,543
June 30, 2019	110,800	100,408	211,208
June 30, 2020	118,605	98,471	217,076
June 30, 2021	116,000	30,589	146,589
June 30, 2022 - 2026	388,143	371,895	759,038
June 30, 2027 - 2031	525,500	258,040	783,540
June 30, 2032 - 2036	450,000	163,911	613,911
June 30, 2037 - 2041	308,000	73,785	381,785
June 30, 2042 - 2046	151,000	37,808	188,808
June 30, 2047 - 2049	33,210	9,814	43,024
	<u>2,513,543</u>	<u>1,382,945</u>	<u>3,896,488</u>
Total Business-type Activities	<u>2,513,543</u>	<u>1,382,945</u>	<u>3,896,488</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

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, 2017	13,187	4,996	18,183
June 30, 2018	13,725	4,459	18,184
June 30, 2019	14,284	3,900	18,184
June 30, 2020	14,866	3,318	18,184
June 30, 2021	15,472	2,712	18,184
June 30, 2022 - 2025	<u>59,378</u>	<u>4,360</u>	<u>63,738</u>
Total Component Unit	<u>130,912</u>	<u>23,745</u>	<u>154,657</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, 2016, are listed on the following page.

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONCLUDED

DEBT SERVICE REQUIREMENTS - CONCLUDED

Component Unit	Principal	Interest	Total
Industrial Program			
June 30, 2017	13,157	4,558	18,183
June 30, 2018	15,725	4,458	18,184
June 30, 2019	14,284	3,900	18,184
June 30, 2020	11,828	3,318	18,184
June 30, 2021	15,432	2,712	18,184
June 30, 2022 - 2025	50,378	1,380	80,738
Total Component Unit	150,012	23,745	154,857

RISK MANAGEMENT

The City is exposed to various forms of loss related to risks, 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 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 receivables and payable balances at June 30, 2018, are listed on the following page.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

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	-	312,286
	<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.

Transfers between funds were as follows:

	GENERAL FUND	SPECIAL REVENUE FUND
Transfers to (from)	<u>17,109</u>	<u>(17,109)</u>

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. CERS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to statutory requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value.

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONCLUDED
BALANCES AND TRANSFER/PAYMENTS WITHIN THE REPORTING ENTITY - CONCLUDED

RECEIVABLES AND PAYABLES - CONCLUDED

PRIMARY GOVERNMENT Governmental-type Activities	Business-type Activities	Water	Natural Gas	Sewer	Internal Receivables	Internal Payables
453,388	812,288	31,108	31,108	312,288	288,572	288,572

TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions and funding capital 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.

Transfers between funds were as follows:

Transfers to (from)	GENERAL FUND	SPECIAL REVENUE FUND
12,108	(12,108)	

4. RETIREMENT PLAN

County Employees' Retirement System
Defined Benefit Pension Plan

The City of Edmonton, Kentucky is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a multiple-employer public employees' retirement system. CERS is administered by Kentucky Retirement Systems Board of Trustees pursuant to KRS 78.10-78.65. 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.kyretirement.com or by writing to Kentucky Retirement System, Premier Park West 1250 Louisville Road, Frankfort, Kentucky 40601. CERS operates its financial statements in accordance with GASB statements and generally accepted accounting principles. The annual basis of accounting is used for all funds. Contributions are recognized when due pursuant to statutory requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

4. RETIREMENT PLAN - CONTINUED

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

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 32.95% and 17.06%, respectively, of regular covered employee compensation for the year ended June 30, 2016. Benefits under the Plan will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

The payroll for hazardous and non-hazardous employees covered by CERS for the year ended June 30, 2016, was \$264,805 and \$630,967, respectively; the City's total payroll was \$940,325. The contribution payments for the year ended June 30, 2016, were \$246,602, which consisted of \$194,896 from the City and \$51,706 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, 2016, 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 \$1,935,867. The net pension liability for the plan was measured as of June 30, 2015, 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, 2015, the City proportion was .04860% for hazardous and .02719% for non-hazardous.

For the year ended June 30, 2016, the City recognized pension expense of \$397,782. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	HAZARDOUS		NON-HAZARDOUS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	16,203	-	9,715	-
Changes of assumptions	64,469	-	117,882	-
Net difference between projected and actual earnings on pension plan investments	4,685	43,270	10,479	78,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,774	-	4,091	-
Employer contributions subsequent to the measurement date	<u>87,253</u>	<u>-</u>	<u>107,643</u>	<u>-</u>
Total	<u>202,384</u>	<u>43,270</u>	<u>249,810</u>	<u>78,314</u>

4. RETIREMENT PLAN - CONTINUED

County Employees' Retirement System - Continued

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 6%, respectively; those hired after September 1, 2008, are required to contribute 9% and 6%, respectively. The City is required to contribute 33.08% and 17.08%, respectively, of regular covered employee compensation for the year ended June 30, 2018. Benefits under the Plan will vary based on total compensation, years of service, and other factors as fully described in the Plan documents.

The payroll for hazardous and non-hazardous employees covered by CERS for the year ended June 30, 2018, was \$254,808 and \$850,997, respectively; the City's total payroll was \$640,252. The contribution payments for the year ended June 30, 2018, were \$248,697, which consisted of \$187,530 from the City and \$61,167 from employees. Employee contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS' normal cost on a current basis plus an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method.

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

At June 30, 2018, 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 \$1,936,967. The net pension liability for the City was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.056% for hazardous and 0.271% for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$987,782. At June 30, 2018, the City reported deferred outflows of resources and certain inflows of resources related to pensions from the following sources:

	HAZARDOUS		NONHAZARDOUS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,774	4,091		
Employer contributions subsequent to the measurement date	87,563	107,663		
Total	308,337	111,754		
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,682	10,479	78,314	
Actual earnings on pension plan investments				
Changes in assumptions	64,469	117,682		
Actual experience	16,203	9,718		
Differences between expected and actual experience				

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016**

4. RETIREMENT PLAN - CONTINUED

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

The \$87,253 (Hazardous) and \$107,643 (Non-Hazardous) 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

**DEFERRED AMOUNT TO BE RECOGNIZED IN FISCAL YEARS
FOLLOWING THE REPORTING DATE**

	Hazardous	Non- Hazardous
June 30, 2017	12,606	19,689
June 30, 2018	12,606	19,689
June 30, 2019	12,607	19,688
June 30, 2020	12,607	1,873
June 30, 2021	21,435	2,914

Actuarial Assumptions

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014.

4. RETIREMENT PLAN - CONTINUED

Provision liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

The \$57,258 (Increase) and \$107,845 (Non-Expendable) reported as deferred outflows of resources related to pensions resulting from the City's conditions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

DETERMINED AMOUNT TO BE RECOGNIZED IN FISCAL YEARS
FOLLOWING THE REPORTING DATE

Year-	Non-Expendable	Expendable
June 30, 2017	12,607	12,607
June 30, 2018	12,607	12,607
June 30, 2019	12,607	12,607
June 30, 2020	12,607	12,607
June 30, 2021	21,435	21,435

Actuarial Assumptions

The total pension liability for KERS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all plan periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	35 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expenses, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 80% for males and 80% for females). For mortality tables for members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (see note for further details). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (see back four years for further details) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

4. RETIREMENT PLAN - CONTINUED

Actuarial Assumptions - Concluded

Several factors are considered in evaluating the 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. 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:

HAZARDOUS	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	977,977
Current Discount Rate	7.50%	764,024
1% Increase	8.50%	586,760
 NON-HAZARDOUS	 Discount Rate	 City's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	1,492,392
Current Discount Rate	7.50%	1,169,014
1% Increase	8.50%	892,070

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. The effect of CERS on the City's net position has been determined on the same basis used by CERS.

4. RETIREMENT PLAN - CONTINUED

Actuarial Assumptions - Continued

Several factors are considered in evaluating the long-term historical data, estimates inherent to current market data, and a log-normal distribution analysis in which past-estimate ranges of expected future rates of return (expected return, net of investment expenses 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 rates of return by the target asset allocation percentages 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 return in future years.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would continue the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. 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:

HAZARDOUS		City's	
	Discount Rate	Proportionate Share of	Net Pension Liability
1% Decrease	6.50%	977,977	
Current Discount Rate	7.50%	754,024	
1% Increase	8.50%	588,760	
NON-HAZARDOUS		City's	
	Discount Rate	Proportionate Share of	Net Pension Liability
1% Decrease	6.50%	1,482,392	
Current Discount Rate	7.50%	1,188,014	
1% Increase	8.50%	882,070	

Pension Plan Fiduciary Net Position

Updated 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. The effect of CERS on the City's net position has been determined on the same basis used by CERS.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

4. RETIREMENT PLAN - CONCLUDED

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.

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, 2016, there was one series of Kentucky Healthcare Refunding Revenue Bonds outstanding. The aggregate principal amount payable totaled \$2,587,000.

6. SUBSEQUENT EVENT

On June 28, 2016, the citizens of Metcalfe County voted in favor of allowing the sale of alcoholic beverages within the boundaries of Metcalfe County. Subsequent to year-end, the City adopted the Alcohol Beverage Control Ordinance, which establishes licenses and fees for businesses engaged in alcohol sales pursuant to KRS 243.070. At this time, the impact on the City's financial position and operations is undeterminable.

4. RETIREMENT PLAN - CONCLUDED

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide postretirement 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 related 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 month of service. The insurance fund will 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 postretirement 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.

5. CURRENT DEBT OBLIGATIONS

The City of Edmonton, Kentucky, has issued Kentucky Healthcare Funding Revenue Bonds (T.J. Garrison Community Hospital Project) Series 2015 to provide financial assistance to T.J. Garrison Community Hospital in relation to 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. Garrison 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, 2016, there was one series of Kentucky Healthcare Funding Revenue Bonds outstanding. The aggregate principal amount payable totaled \$2,587,000.

6. SUBSEQUENT EVENT

On June 28, 2016, the citizens of Metcalfe County voted in favor of allowing the sale of alcoholic beverages within the boundaries of Metcalfe County. Subsequent to year-end, the City adopted the Alcohol Beverage Control Ordinance, which establishes licenses and fees for businesses engaged in alcohol sales pursuant to KRS 243.076. At the time, the impact on the City's financial position and operations is indeterminable.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	82,500	82,500	85,170	2,670
Occupational Licenses and Tax	730,000	730,000	907,418	177,418
Insurance Premiums Tax	164,000	164,000	187,345	23,345
Franchise Fees	9,000	9,000	9,605	605
Intergovernmental Revenue	48,740	48,740	38,016	(10,724)
Penalties and Fines	500	500	127	(373)
Parks and Recreation	50,000	70,000	47,974	(22,026)
Other	15,000	23,500	12,414	(11,086)
Total Revenues	1,099,740	1,128,240	1,288,069	159,829
EXPENDITURES				
Current				
General Government	205,165	213,665	186,103	27,562
Public Safety				
Police	377,220	392,720	456,004	(63,284)
Fire	36,500	36,500	28,873	7,627
E911	72,000	72,000	73,314	(1,314)
Street Department	-	-	3,550	(3,550)
Parks and Recreation	285,820	285,820	270,640	15,180
Capital Outlay	130,184	149,134	154,237	(5,103)
Debt Service				
Principal	101,699	101,699	104,531	(2,832)
Interest	44,346	44,346	40,626	3,720
Agent Fees	6,066	6,066	6,066	0
Total Expenditures	1,259,000	1,301,950	1,323,944	(21,994)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(159,260)	(173,710)	(35,875)	137,835
OTHER FINANCING SOURCES (USES)				
Interest Income	5,000	5,000	3,876	(1,124)
Surplus Property Sales	-	-	4,515	4,515
Grant Proceeds	50,000	50,000	51,500	1,500
Transfers In (Out)	(18,000)	(18,000)	17,109	35,109
Total Other Financing Sources (Uses)	37,000	37,000	77,000	40,000
NET CHANGE IN FUND BALANCE	(122,260)	(136,710)	41,125	177,835
FUND BALANCE - BEGINNING	1,145,857	1,145,857	1,156,385	10,528
FUND BALANCE - ENDING	1,023,597	1,009,147	1,197,510	188,363

See independent auditor's report.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	Original	Revised Amounts	Actual Amounts	Variance
With Budget				
Property Taxes	82,500	82,500	82,175	325
Occupational License and Tax	730,000	730,000	697,418	32,582
Insurance Premiums Tax	184,000	184,000	187,345	(3,345)
Franchise Fees	9,000	9,000	9,000	0
Intergovernmental Revenue	48,740	48,740	38,018	10,722
Fines and Fees	500	500	125	375
Parks and Recreation	50,000	50,000	17,974	32,026
Other	15,000	15,000	15,414	(414)
Total Revenues	1,088,740	1,128,240	1,188,099	(59,999)
EXPENDITURES				
Current				
General Government	205,185	219,065	188,108	30,957
Public Safety	377,220	385,720	458,004	(80,284)
Police	38,500	38,500	38,873	(373)
Fire	32,000	32,000	73,314	(41,314)
Emergency	882,800	882,800	9,880	872,920
Street Department	130,104	140,184	154,207	(14,023)
Parks and Recreation	101,899	101,899	104,531	(2,632)
Capital Outlay	44,346	44,346	40,858	3,488
Debt Service	8,088	8,088	8,088	0
Principal				
Interest				
Agent Fees				
Total Expenditures	1,258,000	1,537,889	1,523,644	(14,245)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(169,260)	(409,649)	(335,545)	(73,896)
OTHER FINANCING SOURCES (USES)				
Interest Income	2,000	2,000	9,876	(7,876)
Surplus Property Sales	50,000	50,000	4,818	45,182
Grant Proceeds	(18,000)	(18,000)	21,500	39,500
Transfers In (Out)			17,109	17,109
Total Other Financing Sources (Uses)	34,000	34,000	53,293	(19,293)
NET CHANGE IN FUND BALANCE	(135,260)	(375,649)	(282,252)	(93,397)
FUND BALANCE - BEGINNING	1,142,857	1,142,857	1,186,385	(43,528)
FUND BALANCE - ENDING	1,007,597	767,208	904,133	(143,925)

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, 2016**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental Revenue	<u>33,453</u>	<u>33,453</u>	<u>31,812</u>	(1,641)
Total Revenues	<u>33,453</u>	<u>33,453</u>	<u>31,812</u>	(1,641)
EXPENDITURES				
Current				
Street Department	89,770	89,770	34,635	55,135
LGEA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>89,770</u>	<u>89,770</u>	<u>34,635</u>	<u>55,135</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(56,317)</u>	<u>(56,317)</u>	<u>(2,823)</u>	<u>53,494</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	-	-	35	(35)
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(17,109)</u>	<u>17,109</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(17,074)</u>	<u>17,074</u>
NET CHANGE IN FUND BALANCE	<u>(56,317)</u>	<u>(56,317)</u>	<u>(19,897)</u>	<u>36,420</u>
FUND BALANCE - BEGINNING	<u>56,317</u>	<u>56,317</u>	<u>56,585</u>	<u>268</u>
FUND BALANCE - ENDING	<u>0</u>	<u>0</u>	<u>36,688</u>	<u>36,688</u>

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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

County Employees' Retirement System

2015

2016

City's proportion of the net pension liability

Hazardous

.045761%

.04860%

Non-Hazardous

.027031%

.02719%

City's proportionate share of the net
pension liability

Hazardous

549,963

746,024

Non-Hazardous

876,980

1,169,014

City's covered-employee payroll

Hazardous

231,825

248,582

Non-Hazardous

619,970

634,681

City's proportionate share of the net
pension liability as a percentage
of its covered-employee payroll

Hazardous

237.23%

300.11%

Non-Hazardous

141.55%

184.19%

Plan fiduciary net position as a percentage
of the total pension liability

Hazardous

63.46%

57.52%

Non-Hazardous

66.80%

59.97%

(The amounts presented were determined as of the previous fiscal year end date.)

CITY OF EDMONTON, KENTUCKY
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION - CONCLUDED
JUNE 30, 2016

SCHEDULE OF CITY'S CONTRIBUTIONS

County Employees' Retirement System

	<u>2015</u>	<u>2016</u>
Contractually required contribution		
Hazardous	85,289	87,253
Non-Hazardous	<u>112,092</u>	<u>107,643</u>
Total	197,381	194,896
Contributions in relation to the contractually required contribution	<u>(197,381)</u>	<u>(194,896)</u>
Contribution deficiency	<u>-</u>	<u>-</u>
City's covered-employee payroll		
Hazardous	248,582	264,805
Non-Hazardous	634,681	630,967
Contribution as a percentage of covered- employee payroll		
Hazardous	34.31%	32.95%
Non-Hazardous	17.67%	17.06%

(The amounts presented were determined as of the current fiscal year end date.)

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:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females.)
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

See independent auditor's report

See independent auditor's report

- The assumed rates of Retirement, Withdrawal and Disability were added to more accurately reflect experience.
 - When the next experience investigation is conducted.
 - possible future improvement in mortality rates and that margin will be reviewed again after disability retirement. There is some margin in the current mortality tables for projected with Scale BB to 2013 (see back 4 years for males) is used for the period (males). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (see back 1 year for males) is used for the period (males). For healthy retired members and beneficiaries the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 50% for females).
 - The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 50% for females).
 - Payroll growth assumption was reduced from 4.00% to 4.00%.
 - The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
 - The assumed rate of inflation was reduced from 3.50% to 3.25%.
 - The assumed investment rate of return was decreased from 7.75% to 7.50%.
- Changes of assumptions:
- Changes of benefit terms - None

Notes to Required Supplementary Information

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

(The amounts presented were determined as of the current fiscal year end date.)

Non-Hazardous	17.87%	34.31%
Hazardous	32.88%	32.88%
Contribution as a percentage of covered-employee payroll		
Non-Hazardous	634,681	248,782
Hazardous	634,681	248,782
City's covered-employee payroll		
Contribution deficiency		
Contractually reduced contribution	(197,381)	(197,381)
Contributions in relation to the		
Total	197,381	197,381
Non-Hazardous	197,381	197,381
Hazardous	87,323	87,323
Contractually reduced contribution		

SCHEDULE OF CITY'S CONTRIBUTIONS County Employees Retirement System

CITY OF EDMONTON, KENTUCKY
GASB 28 REQUIRED SUPPLEMENTARY INFORMATION - CONCLUDED
JUNE 30, 2018

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

**CITY OF EDMONTON, KENTUCKY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	Municipal Road Aid	LGEA	Total
ASSETS			
Cash in Banks	9,434	23,619	33,053
Due from Other Governments	<u>3,635</u>	<u>-</u>	<u>3,635</u>
TOTAL ASSETS	<u>13,069</u>	<u>23,619</u>	<u>36,688</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	-	-	0
FUND BALANCES - RESTRICTED	<u>13,069</u>	<u>23,619</u>	<u>36,688</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>13,069</u>	<u>23,619</u>	<u>36,688</u>

CITY OF EDMONTON, KENTUCKY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2019

		Municipal		Road and		Total	
		Assets		Liabilities		Total	
ASSETS							
Cash in Banks		2,134		2,134		2,134	
Due from Other Governments		3,632		3,632		3,632	
TOTAL ASSETS		5,766		5,766		5,766	
LIABILITIES AND FUND BALANCES							
LIABILITIES							
FUND BALANCES - RESTRICTED		19,630		19,630		19,630	
TOTAL LIABILITIES AND FUND BALANCES		19,630		19,630		19,630	

**CITY OF EDMONTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
REVENUES			
Intergovernmental Revenue	<u>30,728</u>	<u>1,084</u>	<u>31,812</u>
Total Revenues	<u>30,728</u>	<u>1,084</u>	<u>31,812</u>
EXPENDITURES			
Streets	34,635	-	34,635
LGEA	<u>-</u>	<u>-</u>	<u>0</u>
Total Expenditures	<u>34,635</u>	<u>0</u>	<u>34,635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,907)</u>	<u>1,084</u>	<u>(2,823)</u>
OTHER FINANCING SOURCES (USES)			
Interest Income	-	35	35
Transfers	<u>(17,109)</u>	<u>-</u>	<u>(17,109)</u>
Total Financing Sources (Uses)	<u>(17,109)</u>	<u>35</u>	<u>(17,074)</u>
NET CHANGES IN FUND BALANCES	<u>(21,016)</u>	<u>1,119</u>	<u>(19,897)</u>
FUND BALANCES - BEGINNING	<u>34,085</u>	<u>22,500</u>	<u>56,585</u>
FUND BALANCES - ENDING	<u>13,069</u>	<u>23,619</u>	<u>36,688</u>

CITY OF FAYETTEVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Municipal Bond Aid	LGFA	Total
FUND BALANCES - ENDING	13,000	23,618	36,618
FUND BALANCES - BEGINNING	34,085	22,500	56,585
NET CHANGES IN FUND BALANCES	(21,085)	1,118	(19,967)
Total Financing Sources (Uses)	(11,109)	36	(11,073)
Transfers	(11,109)	-	(11,109)
Interest Income	-	36	36
OTHER FINANCING SOURCES (USES)	-	36	36
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,907)	1,084	(1,823)
Total Expenditures	34,032	0	34,032
EXPENDITURES	34,032	-	34,032
Stamps	-	-	-
LGFA	-	-	-
Total Revenues	30,758	1,004	31,762
Intergovernmental Revenues	30,758	1,004	31,762
REVENUES	30,758	1,004	31,762

**CITY OF EDMONTON, KENTUCKY
DISCRETELY PRESENTED COMPONENT UNIT
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2016**

ASSETS

Cash on Hand and in Banks

85,797

TOTAL ASSETS

85,797

LIABILITIES AND FUND BALANCE

LIABILITIES

0

FUND BALANCE - COMMITTED

85,797

TOTAL LIABILITIES AND FUND BALANCE

85,797

CITY OF EDMONTON, KENTUCKY
DISCREETLY PRESENTED COMPONENT UNIT
EDMONTON RECREATION DEPARTMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2010

ASSETS	
Cash on hand and in banks	88,797
TOTAL ASSETS	88,797
LIABILITIES AND FUND BALANCE	
LIABILITIES	0
FUND BALANCE - COMMITTED	88,797
TOTAL LIABILITIES AND FUND BALANCE	88,797

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, 2016

Total Fund Balance – Component Unit	85,797
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 (\$538,036), are not current financial resources and, therefore, are not reported in the fund.	2,052,229
Long-term liabilities of (\$130,912) are not due and payable in the current period and are not reported in the fund.	(130,912)
Net Position of Component Unit	<u>2,007,114</u>

CITY OF EDMONTON, KENTUCKY
 RECONCILIATION OF THE BALANCE SHEET OF THE DISCREETLY PRESENTED
 COMPONENT UNIT - EDMONTON METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

66,797	Total Fund Balance - Component Unit
	Amounts reported for component unit in the statement of net position are different because:
2,082,329	Capital assets of \$2,080,266, net of accumulated depreciation of (\$22,066) are not current financial resources and, therefore, are not reported in the fund.
(130,915)	Long-term liabilities of (\$130,915) are not due and payable in the current period and are not reported in the fund.
2,005,119	Net Position of Component Unit

**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, 2016**

REVENUES	
Rent Income	24,000
Intergovernmental	<u>25,762</u>
Total Revenues	<u>49,762</u>
EXPENDITURES	
Industrial Program	19,706
Debt Service	
Principal	12,664
Interest	<u>5,520</u>
Total Expenditures	<u>37,890</u>
EXCESS OF REVENUES OVER EXPENDITURES	11,872
OTHER FINANCING SOURCES	<u>-</u>
NET CHANGE IN FUND BALANCE	11,872
FUND BALANCE - BEGINNING	<u>73,925</u>
FUND BALANCE - ENDING	<u>85,797</u>

CITY OF EDMONTON, KENTUCKY
 DISCREETLY PRESENTED COMPONENT UNIT
 EDMONTON-METALLIC INDUSTRIAL DEVELOPMENT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	
Real Income	24,000
Intergovernmental	25,185
Total Revenues	49,185
EXPENDITURES	
Industrial Program	19,705
Debt Service	12,884
Principal	2,920
Interest	
Total Expenditures	35,509
EXCESS OF REVENUES OVER EXPENDITURES	13,676
OTHER FINANCING SOURCES	
NET CHANGE IN FUND BALANCE	13,676
FUND BALANCE - BEGINNING	12,925
FUND BALANCE - ENDING	26,601

**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, 2016**

Net Change In Fund Balance – Component Unit	11,872
--	---------------

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 (\$56,258) in the current period.	(56,258)
--	----------

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 \$12,664.	<u>12,664</u>
---	---------------

Change In Net Position of Component Unit	<u>(31,722)</u>
---	------------------------

CITY OF EDMONTON, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGE IN FUND BALANCE OF THE DISCREETLY PRESENTED
 COMPONENT UNIT - EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2016

Net Change in Fund Balance - Component Unit 11,876

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 (\$55,256) in the current period. (55,256)

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment 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 \$12,624. 12,624

Change in Net Position of Component Unit (53,132)

TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

BRANCH OFFICE
108 WEST THIRD STREET
P.O. BOX 778
TOMPKINSVILLE, KENTUCKY 42167
TELEPHONE 270-487-6515
FAX 270-487-6515

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, 2016, 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 October 25, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

THE UNIVERSITY OF CHICAGO

OFFICE OF THE DEAN OF STUDENTS

540 EAST 58TH STREET, CHICAGO, ILL. 60637

ADMISSIONS

1984-1985

Dear Mr. [Name]
Thank you for your letter of [Date]
regarding [Subject]. We are pleased
to hear that you are interested in
[Subject] and would like to apply for
admission to the [Degree] program.

Enclosed for you are [Number] copies
of the [Form] and [Form]. Please
complete these forms and return them
to the Office of the Dean of Students
at the University of Chicago, 540 East
58th Street, Chicago, Illinois 60637.

For more information about the University of Chicago
and the [Degree] program, please contact the
Office of the Dean of Students. We are happy to
provide you with any information you need.
Sincerely,
[Name]
Dean of Students

Very truly yours,
[Name]

The University of Chicago is a leading center of research and learning in the United States. Our faculty and students are dedicated to the pursuit of knowledge and the advancement of human understanding. We offer a wide range of undergraduate and graduate programs in the arts, sciences, and social sciences. Our campus is located in the heart of Chicago, providing students with a rich cultural and intellectual environment. We are proud to be a part of the University of Chicago community and look forward to welcoming you to our campus.

Enclosed for you are [Number] copies of the [Form] and [Form].

Please complete these forms and return them to the Office of the Dean of Students at the University of Chicago, 540 East 58th Street, Chicago, Illinois 60637. We will contact you again regarding your application. Thank you for your interest in the University of Chicago.

If you have any questions or need further information, please contact the Office of the Dean of Students. We are happy to assist you in your application process. We look forward to hearing from you again.

The University of Chicago is a leading center of research and learning in the United States. Our faculty and students are dedicated to the pursuit of knowledge and the advancement of human understanding. We offer a wide range of undergraduate and graduate programs in the arts, sciences, and social sciences. Our campus is located in the heart of Chicago, providing students with a rich cultural and intellectual environment. We are proud to be a part of the University of Chicago community and look forward to welcoming you to our campus.

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

Compliance and Other Matters

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

Purpose of this Report

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

Harbor, Salmon & Company, PSC
Certified Public Accountants

October 25, 2016

1. The first part of the report is a summary of the work done during the year.

2. The second part is a detailed account of the work done during the year.

3. The third part is a summary of the work done during the year.

4. The fourth part is a summary of the work done during the year.

5. The fifth part is a summary of the work done during the year.

6. The sixth part is a summary of the work done during the year.

7. The seventh part is a summary of the work done during the year.

8. The eighth part is a summary of the work done during the year.