

CITY OF EDMONTON, KENTUCKY
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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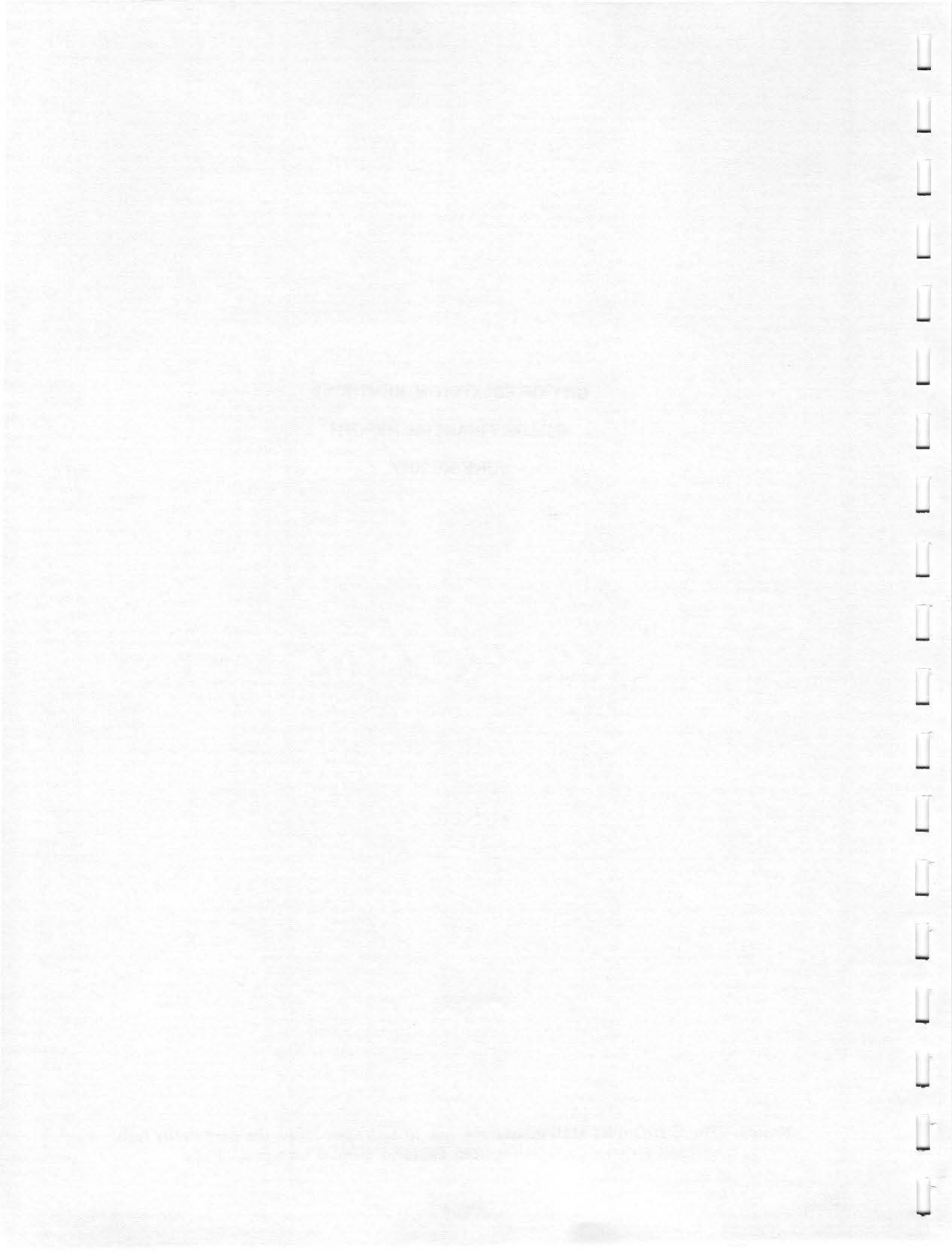


TABLE OF CONTENTS

	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

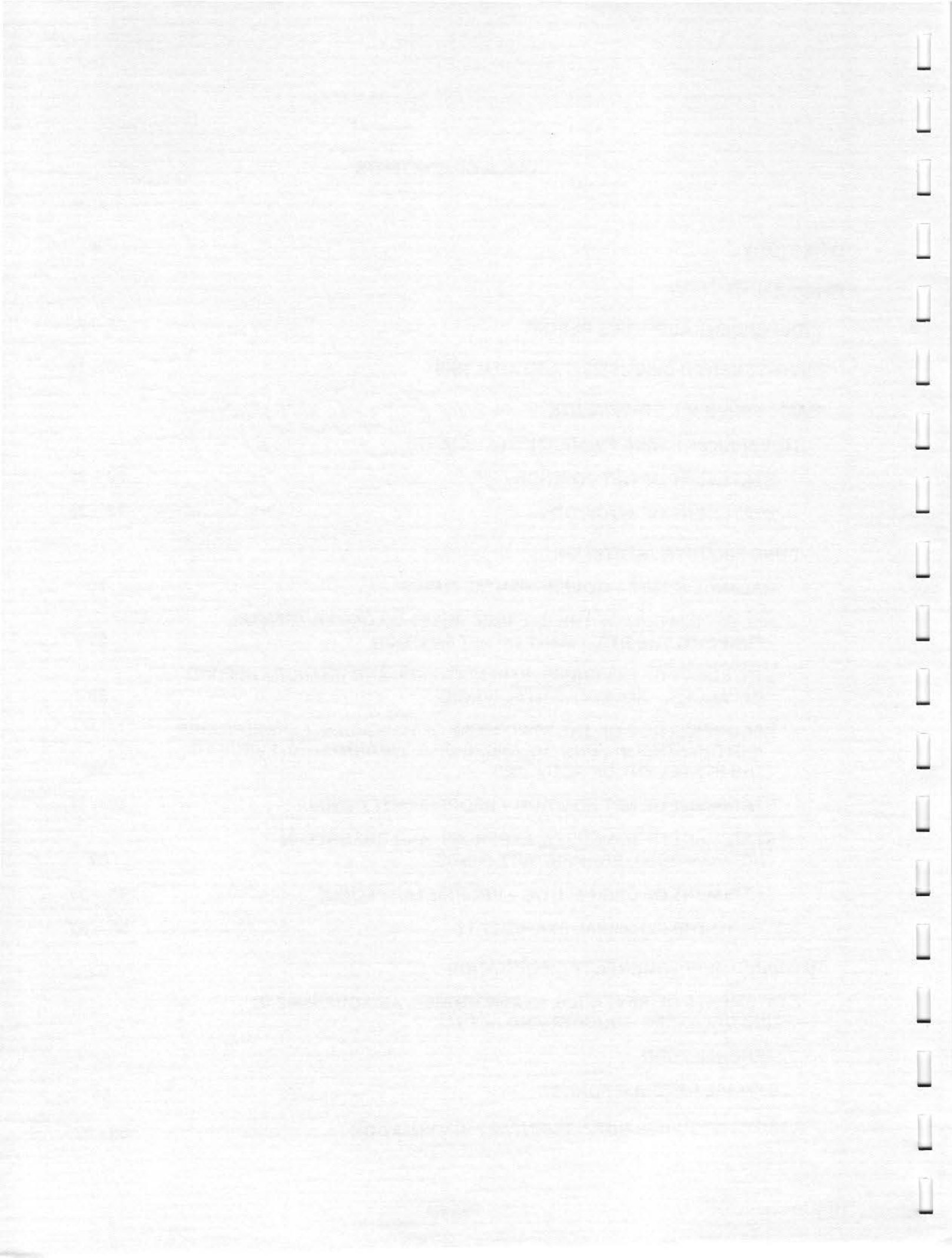
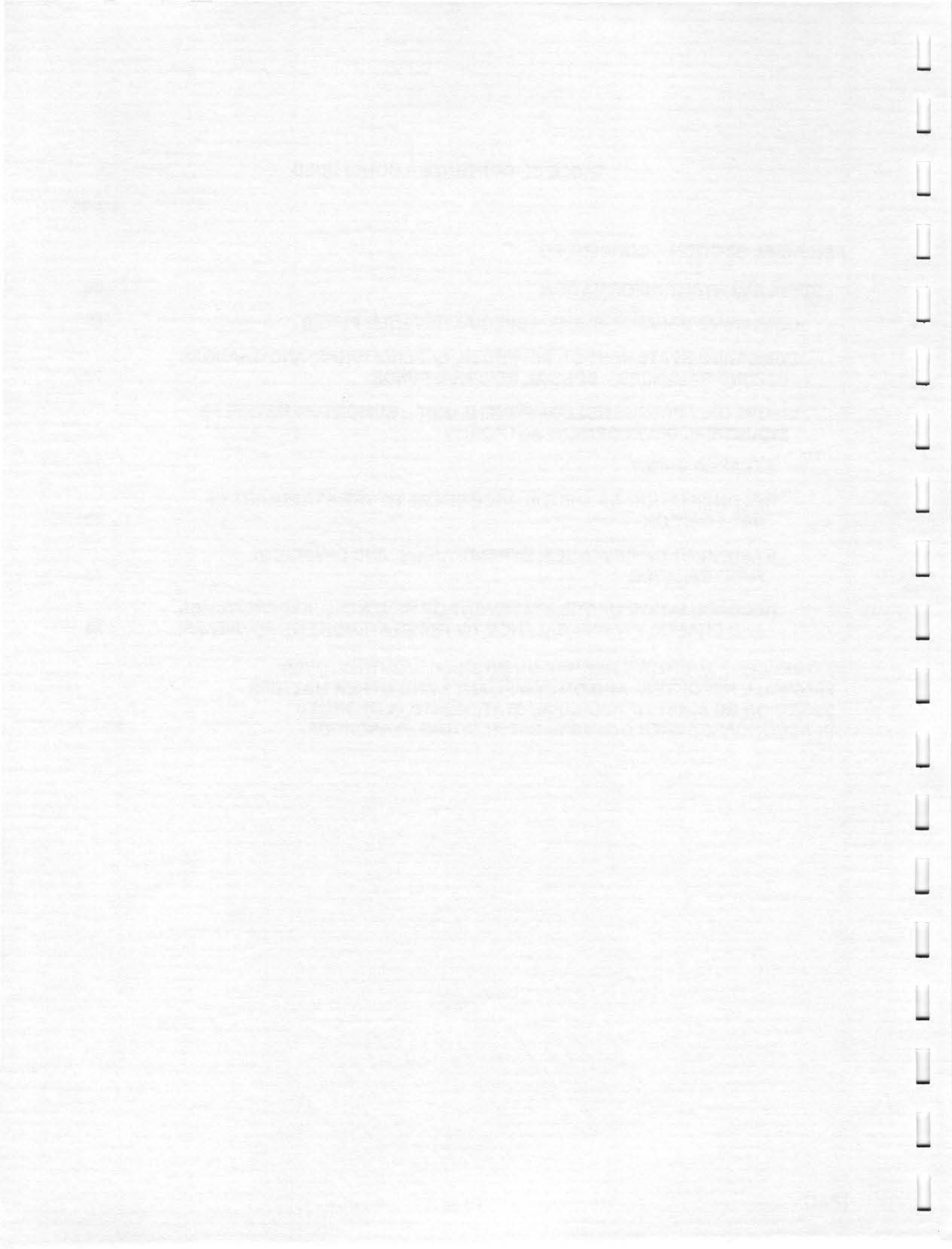


TABLE OF CONTENTS – CONCLUDED

	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

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DIRECTORY

CITY OF EDMONTON, KENTUCKY

(MAYOR-COUNCIL FORM OF GOVERNMENT)

MAYOR

HOWARD D. GARRETT

COUNCIL MEMBERS

**WENDELL SEXTON
AUSTIN BRAGG
CURT ESTES
RONNIE MILLER**

**BILLY JEFFRIES
WAYNE WILSON
(July 1, 2016 - December 31, 2016)
CATHY NUNN
(January 1, 2017 - Present)**

**CITY CLERK-TREASURER.....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**





TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edmonton, Kentucky, as of and for the year ended June 30, 2017, 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 UNITED STATES

OF THE TERRITORY OF THE UNITED STATES

FROM 1776 TO 1876

BY

WILLIAM F. STANTON

NEW YORK

1876

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1876

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, 2017, 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 December 1, 2017, 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

Section 1

The first part of the document discusses the importance of maintaining accurate records. It emphasizes that proper record-keeping is essential for ensuring the integrity and reliability of the data collected. This section also outlines the various methods used to collect and analyze the data, highlighting the challenges faced during the process.

Section 2

The second part of the document provides a detailed overview of the experimental procedures. It describes the setup of the experiment, the materials used, and the steps followed to conduct the study. This section also includes a discussion of the results obtained, comparing them with previous studies and highlighting the significance of the findings. The authors conclude that the results support the hypothesis and provide valuable insights into the phenomenon being studied.

Section 3

The third part of the document discusses the implications of the findings. It explores the potential applications of the research and the broader context in which the study was conducted. The authors also address the limitations of the study and suggest areas for future research.

The fourth part of the document provides a summary of the key findings and conclusions. It reiterates the importance of the research and the value of the data collected. The authors also thank the funding agencies and the participants who made the study possible. Finally, they provide a list of references and a table of contents for the document.

Section 4

The fifth part of the document discusses the future directions of the research. It outlines the authors' plans for further studies and the potential impact of their work. The authors also provide a final summary of the document and a list of references.

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

Other Reporting Required by *Government Auditing Standards* - Concluded

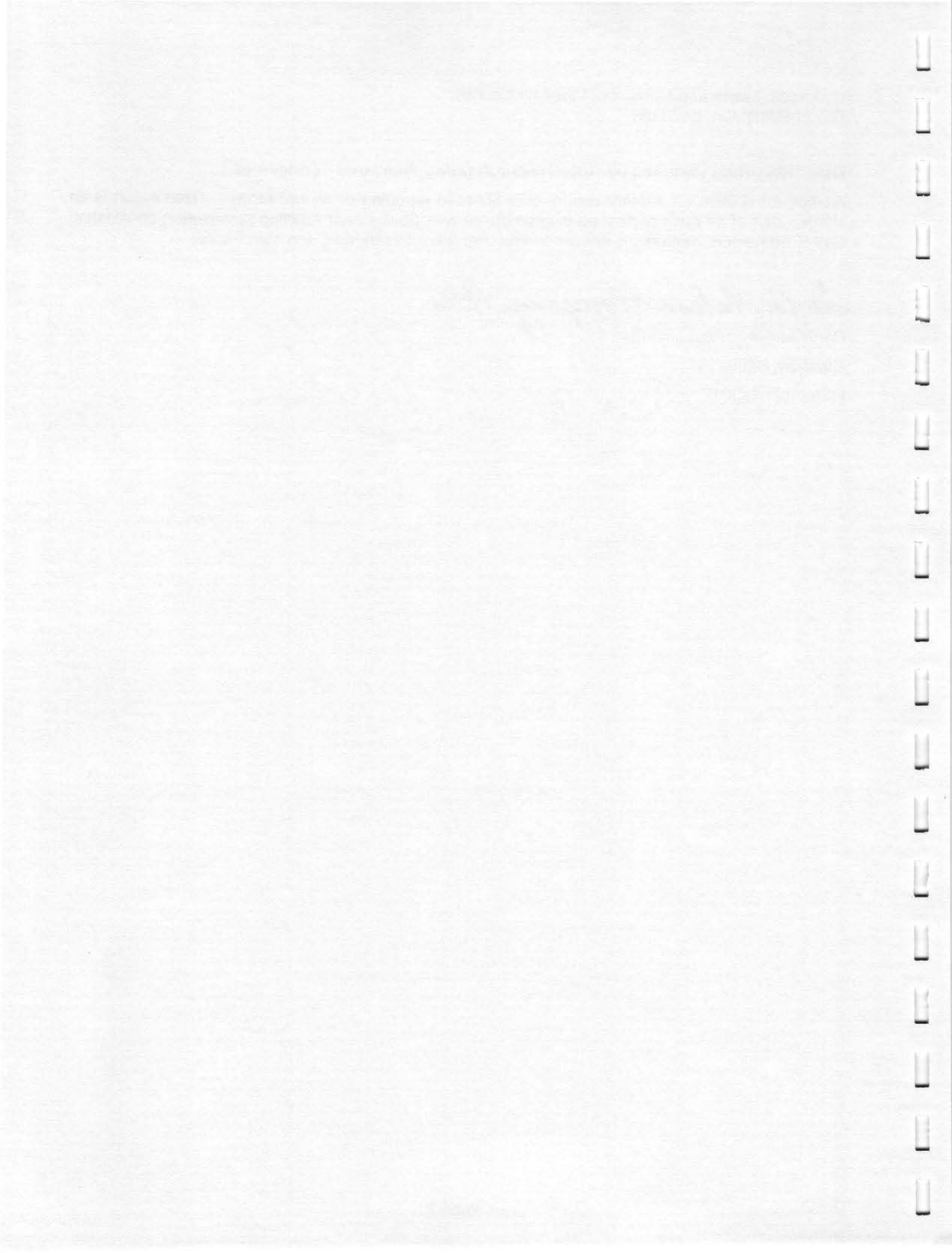
provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering City of Edmonton, Kentucky's internal control over financial reporting and compliance.

Jayson Nelson & Company, PSC

Certified Public Accountants

Glasgow, Kentucky

December 1, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. 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, 2017, the City's assets exceeded liabilities by \$14,612,716. Total net position is comprised of the following:
 1. Net position of \$11,343,511 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 \$1,124,608 is restricted to specific projects by laws, regulations, contractual agreements, or debt service.
 3. Unrestricted net position of \$2,144,597 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2017, were \$3,919,953, and current liabilities payable from unrestricted resources were \$793,685.
- Net position increased by \$218,536.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$20,820 to a total of \$1,213,378.
- Net position in the proprietary funds increased \$185,164 to a total of \$12,003,605.

Revenues and Expenditures

- Revenues in governmental funds were \$1,312,860. 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 \$1,342,484. 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 \$8,804. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$2,724,163. This includes charges for utility services (water, sewer, and natural gas).
- Expenses in the proprietary fund types totaled \$2,618,101. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$79,102 of revenue. This amount includes grant income, interest income, bond interest expense, and other income and expense items.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONCLUDED

Fund Financial Statements - Concluded

resources rather than economic resources. Therefore, the statements include the short-term resources such as cash, investments, and receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

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

Edmonton uses the following governmental funds:

- General Fund
- Municipal Road Aid Fund
- LGEA

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

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

Edmonton uses the following enterprise funds:

- Water
- Sewer
- Natural Gas

Notes to the Financial Statements

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

Other Information

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, \$230,545 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$894,063 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 decreased \$58,143. The utilities had a decrease in revenues of \$153,329. The change in net position was an increase of \$33,372 for governmental-type activities and an increase of \$185,164 for business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NET POSITION

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	Total
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
ASSETS						
Current Assets	1,235,871	1,278,215	4,328,507	4,110,621	5,564,378	5,388,836
Restricted Assets	44,675	4,650	894,063	944,534	938,738	949,184
Non-Current Assets	<u>3,079,651</u>	<u>3,166,701</u>	<u>11,704,200</u>	<u>11,866,206</u>	<u>14,783,851</u>	<u>15,032,907</u>
Total Assets	<u>4,360,197</u>	<u>4,449,566</u>	<u>16,926,770</u>	<u>16,921,361</u>	<u>21,286,967</u>	<u>21,370,927</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>393,823</u>	<u>270,192</u>	<u>266,580</u>	<u>182,002</u>	<u>660,403</u>	<u>452,194</u>
LIABILITIES						
Current Liabilities	180,004	157,248	1,507,253	1,498,429	1,687,257	1,655,677
Liabilities Payable from Restricted Assets	-	-	144,951	147,309	144,951	147,309
Non-Current Liabilities	<u>1,877,741</u>	<u>1,921,369</u>	<u>3,481,191</u>	<u>3,583,002</u>	<u>5,358,932</u>	<u>5,504,371</u>
Total Liabilities	<u>2,057,745</u>	<u>2,078,617</u>	<u>5,133,395</u>	<u>5,228,740</u>	<u>7,191,140</u>	<u>7,307,357</u>
DEFERRED INFLOWS OF RESOURCES	<u>87,164</u>	<u>65,402</u>	<u>56,350</u>	<u>56,182</u>	<u>143,514</u>	<u>121,584</u>
NET POSITION						
Invested in Capital Assets, Net of Debt	2,257,389	2,235,858	9,086,122	9,071,528	11,343,511	11,307,386
Restricted	230,545	161,937	894,063	944,534	1,124,608	1,106,471
Unrestricted	<u>121,177</u>	<u>177,944</u>	<u>2,023,420</u>	<u>1,802,379</u>	<u>2,144,597</u>	<u>1,980,323</u>
TOTAL NET POSITION	<u>2,609,111</u>	<u>2,575,739</u>	<u>12,003,605</u>	<u>11,818,441</u>	<u>14,612,716</u>	<u>14,394,180</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OPERATING RESULTS

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	Total
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
PROGRAM REVENUES						
Charges for Services	53,349	48,101	2,724,163	2,724,284	2,777,512	2,772,385
Operating Grants and Contributions	73,149	69,828	-	-	73,149	69,828
Capital Grants and Contributions	1,549	51,500	161,681	324,706	163,230	376,206
GENERAL REVENUES						
Property Taxes	85,773	85,170	-	-	85,773	85,170
Occupational Licenses and Tax	914,302	907,418	-	-	914,302	907,418
Insurance Premiums Tax	172,090	187,345	-	-	172,090	187,345
Alcohol Licenses and Fees	4,370	-	-	-	4,370	-
Franchise Fees	9,807	9,605	-	-	9,807	9,605
Investment Income	3,965	3,911	20,883	18,560	24,848	22,471
Sale of Surplus Property	3,290	4,515	9,880	1,386	13,170	5,901
Miscellaneous	20	12,414	-	-	20	12,414
Total Revenues	<u>1,321,664</u>	<u>1,379,807</u>	<u>2,916,607</u>	<u>3,068,936</u>	<u>4,238,271</u>	<u>4,448,743</u>
PROGRAM EXPENSES						
General Government	249,007	247,730	-	-	249,007	247,730
Public Safety	655,983	638,752	-	-	655,983	638,752
Street Department	9,851	38,185	-	-	9,851	38,185
Parks and Recreation	330,919	339,379	-	-	330,919	339,379
Interest on Long-Term Debt	42,532	46,692	-	-	42,532	46,692
Water	-	-	1,551,303	1,505,042	1,551,303	1,505,042
Sewer	-	-	264,536	218,298	264,536	218,298
Natural Gas	-	-	915,604	959,806	915,604	959,806
Total Expenses	<u>1,288,292</u>	<u>1,310,738</u>	<u>2,731,443</u>	<u>2,683,146</u>	<u>4,019,735</u>	<u>3,993,884</u>
EXCESS BEFORE TRANSFERS	33,372	69,069	185,164	385,790	218,536	454,859
Transfers	-	-	-	-	-	-
INCREASE IN NET POSITION	<u>33,372</u>	<u>69,069</u>	<u>185,164</u>	<u>385,790</u>	<u>218,536</u>	<u>454,859</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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>6-30-17</u>	<u>6-30-16</u>
Occupational Licenses and Tax	69%	67%
Insurance Premiums Tax	13%	15%
Operating Grants and Contributions	5%	6%
Property Taxes	6%	7%
Charges for Services	4%	4%
Franchise Fees	<u>3%</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>6-30-17</u>	<u>6-30-16</u>
Police	43%	41%
Administration	19%	19%
Parks and Recreation	26%	26%
Fire	2%	2%
Interest on Long-Term Debt	3%	4%
E911	6%	6%
Streets	<u>1%</u>	<u>2%</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 \$1,509,120 as compared to costs of \$1,551,303.
- Sewer Fund revenues were \$218,100 as compared to costs of \$264,536.
- Natural Gas Fund revenues were \$996,943 as compared to costs of \$915,604.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 decreased \$20,820, which includes a decrease of \$29,624 from operations and an increase of \$8,804 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 \$1,213,378. Of this year-end total, approximately \$1,109,919 is unassigned, indicating availability for continuing City service requirements. Restricted fund balances include \$44,675 for general fund reserve and \$58,784 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 decreased by \$42,916.

The special revenue fund is made up of two individual funds (municipal road aid and LGEA), which are combined in the supplementary information. Fund balance of the special revenue fund increased by \$22,096.

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 \$185,164, which includes net operating income of \$106,062 and net revenue from non-operating activities of \$79,102.

Major Proprietary Funds

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

The water fund reported a decrease in net position of \$94,323. The water fund had net income of \$47,457 from operations and \$141,780 of net expenses from non-operating activities. The water fund reports a net position amount of \$6,441,360, of which \$815,099 is restricted for debt service.

The sewer fund reported an increase in net position of \$191,077. The sewer fund had a net loss of \$29,061 from operations and \$220,138 net income from non-operating activities. The sewer fund reports a net position amount of \$3,217,957, of which \$78,964 is restricted for debt service.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONCLUDED

Major Proprietary Funds - Concluded

The natural gas fund reported an increase in net position of \$88,410. The natural gas fund had net income of \$87,666 from operations and \$744 net revenues from non-operating activities. The natural gas fund reports a net position amount of \$2,344,288, 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 decrease in the general fund balance was more than budget estimates by \$104,231: revenues were less than budget by \$791, expenditures were more than budget by \$95,433, and other financing sources were less by \$8,007.

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	99,863	1,828,552
Land Improvements	7,700	-	7,700
Buildings and Improvements	1,335,868	19,472,475	20,808,343
Equipment and Furnishings	315,502	649,587	965,089
Vehicles	681,989	229,312	911,301
Streets and Sidewalks	287,979	-	287,979
Municipal Park	991,565	-	991,565
	<u>5,349,292</u>	<u>20,451,237</u>	<u>25,800,529</u>
Accumulated Depreciation	(2,269,641)	(8,747,122)	(11,016,763)
TOTAL	<u>3,079,651</u>	<u>11,704,115</u>	<u>14,783,766</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED

LONG-TERM DEBT	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
Capital Leases			
General Obligation			
Municipal Park	67,917	-	67,917
Special Obligation	589,345	-	589,345
KADD - City Hall	165,000	-	165,000
Total Capital Leases	822,262	0	822,262
Loans			
KY Infrastructure Authority	-	128,249	128,249
Kentucky League of Cities	-	111,250	111,250
Total Loans	0	239,499	239,499
Bonds			
Revenue Bonds			
1980 Issue	-	14,500	14,500
1982 Issue Ser A	-	35,000	35,000
1984 Issue	-	245,943	245,943
1990 Issue	-	217,000	217,000
1993 Issue	-	212,000	212,000
1995 Issue	-	308,000	308,000
1996 Issue	-	148,900	148,900
2000 Issue	-	87,200	87,200
2002 Issue	-	668,000	668,000
2013 Issue	-	570,200	570,200
Total Bonds	0	2,506,743	2,506,743

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

NET PENSION LIABILITY

At June 30, 2017, 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 \$2,097,591. 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, 2017**

THE OUTLOOK FOR NEXT YEAR

As the City begins a new fiscal year, I want to start with this message about the Economic Outlook for the city. Our industrial base is good with the companies that are located here. Job retention and job growth along with workforce development are still the major areas that we are concerned about. The unemployment rate for our area is at 4.50%. The new building in the industrial park is almost finished with the electrical and landscaping being the last items to finish. This is a huge investment for our city and county.

Our retail businesses are still slow on expansions and job growth. We still need to have individuals to invest in our city and for the citizens here to support those businesses. I still propose that if it is legally possible, the City needs to look at a revolving loan fund with certain restrictions for small businesses that we can use as an incentive to open or improve their businesses.

The passage of the alcohol sales for the county was supposed to move Metcalfe forward by bringing in a lot of revenue from the gross receipt levy. As you know, we cannot collect that fee and the only businesses to open because of the passage have been two liquor stores. The stores that have the package licenses and the other liquor license were already located here. The only income from that is the small amount of revenue from the licenses they are required to purchase.

The same concerns in the City's departments will again be the CERS pension requirements, health insurance premiums, and cost of supplies and materials.

The financial needs and requests of each department are listed within its budget.

- The City Hall administrative offices requests include general maintenance on the City Hall building, a new phone system for all of the departments, improvements to our billing system, and improvements on the technology we offer to our citizens and our web site.
- Parks and Recreation requests include the following: some additional equipment for our concession stands, new netting for the baseball field, starting a Concert-in-the-Park series, and funds to start a Christmas display in the park during the Christmas season for our community to enjoy and to bring people in from out of town. This project will be one that will continue to grow over time, and with the help from the school system we can make something very special here for our community. I will continue to seek funding for a multi-purpose building for our park to have year-round activities. As always, we will continue to monitor our sports programs and participation levels.
- The Police Department requests include: new mobile and hand-held radios, ballistic vests for all of the officers, tasers with holsters, laptops with stands and printers, and boots for inclement weather. The BRADD office is working on a grant application for some of this equipment, and we will have the matching funds, if required.
- The Public Works Department requests include: a new snow plow, chairs for the maintenance building to replace the ones that are at least 20 years old, a new utility billing program, a new building to replace the Compton house that can be used for storage and other uses, and continuing the replacement of the older water and gas meters with radio-read meters. Our water loss ratio is getting better, and the new water meters are helping with that.

The number one priority of the department will be complying with the required regulations of the Kentucky Division of Water on the disinfectant by-products in our water system. The City will commit whatever resources are needed to reach the standard required by the Kentucky Division

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THE OUTLOOK FOR NEXT YEAR - CONCLUDED

of Water and the EPA. Our water is safe to drink, but we do have to meet those standards. The City's engineering firm has developed a plan that the Division of Water has approved. The necessary improvements will be presented to the council for your approval within a few months.

- Concerning the Fire Department budget, the discussion on having the county fire department paying part of the utilities will take place soon between the two fire chiefs and the City Council.
- Our sidewalks need repair, and that has been discussed during previous council meetings. I hope to present to the Council an estimate from a local contractor to compare to the estimate from the outside firm that the City received.
- Our road plan still includes the Edmonton By-Pass, which is very important to our city. Hopefully, the Kentucky Department of Transportation Cabinet will move this project forward, because this will improve safety and give another access to the new building in the industrial park.
- I have contacted the BRADD office on applying for a grant to update the City's outdoor warning system. Our system has been in place for several years, and we were one of the first cities to implement this. We need to be able to test each site by computer instead of having to manually go to each site to see if they are working or not. This will help stop the confusion of when they are activated.
- The Edmonton Planning Commission has not been active for a long period of time due to health issues with most of the members, and I plan to reactivate it with new members and training that is required.
- We are looking at the City's bond obligation and in-house debt to see if it would benefit the City to pay off some of that with reserve funds to save the interest and fees being paid on those.

The City will continue to honor our commitments to the various organizations that depend on city funding. This includes the Chamber of Commerce, Hospice Program, and Historical Society.

As for employee compensation, I have included a pay increase of 3% across the board for all full time employees and custodians. The single health insurance premium that the City pays for full time employees will continue.

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, 2017

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT ASSETS				
Cash on Hand and in Banks	754,567	3,165,386	3,919,953	48,771
Investments	-	387,182	387,182	-
Receivables, Net of Allowance for Uncollectible Accounts				
Property Taxes	3,678	-	3,678	-
Trade Accounts	-	208,016	208,016	-
Internal Receivable	453,898	439,674	893,572	384
Due from Other Governments				
State of Kentucky	3,728	-	3,728	-
Metcalfe County Fiscal Court	-	128,249	128,249	-
Metcalfe County Board of Education	20,000	-	20,000	-
Total Current Assets	1,235,871	4,328,507	5,564,378	49,155
RESTRICTED ASSETS				
Cash and Savings				
General Fund Reserve	44,675	-	44,675	-
Sinking Funds	-	219,396	219,396	-
Funded Depreciation	-	406,598	406,598	-
Other Cash	-	268,069	268,069	-
Total Restricted Assets	44,675	894,063	938,738	0
NON-CURRENT ASSETS				
Capital Assets				
Land	1,728,689	99,863	1,828,552	187,097
Construction in Progress				
Industrial Dev Spec Bldg	-	-	-	1,048,781
Other Capital Assets, Net of Accumulated Depreciation	1,350,962	11,604,252	12,955,214	1,808,873
Deposits	-	85	85	-
Total Non-Current Assets	3,079,651	11,704,200	14,783,851	3,044,751
TOTAL ASSETS	4,360,197	16,926,770	21,286,967	3,093,906
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	393,823	266,580	660,403	-

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2017

LIABILITIES	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CURRENT LIABILITIES				
Accounts Payable	7,504	78,862	86,366	-
Payroll Withholdings	34,931	-	34,931	-
Accrued Expenses				
School Tax	-	4,929	4,929	-
Sales Tax	-	2,376	2,376	-
Vacation Accrual	24,733	30,159	54,892	-
Meter Deposits	-	408,928	408,928	-
Current Portion of				
Loans Payable	-	88,427	88,427	742,427
Leases Payable	112,836	-	112,836	-
Internal Payable	-	893,572	893,572	-
Total Current Liabilities	180,004	1,507,253	1,687,257	742,427
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	-	39,051	39,051	-
Current Portion of				
Revenue Bonds	-	105,900	105,900	-
Total Liabilities Payable From Restricted Assets	0	144,951	144,951	0
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing				
Revenue Bonds	-	2,400,843	2,400,843	-
Loans Payable				
Kentucky League of Cities	-	41,250	41,250	-
KIA	-	109,822	109,822	-
Edmonton State Bank	-	-	-	102,763
Leases Payable				
General Obligation				
Municipal Park	510,585	-	510,585	-
Special Obligation	58,841	-	58,841	-
KADD - City Hall	140,000	-	140,000	-
Net Pension Liability	1,168,315	929,276	2,097,591	-
Total Non-Current Liabilities	1,877,741	3,481,191	5,358,932	102,763
TOTAL LIABILITIES	2,057,745	5,133,395	7,191,140	845,190
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	87,164	56,350	143,514	-



CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - CONCLUDED
JUNE 30, 2017

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Invested in Capital Assets, Net of Related Debt	2,257,389	9,086,122	11,343,511	2,199,561
Restricted for				
General Fund Reserve	44,675	-	44,675	-
Debt Service	-	625,994	625,994	-
Other	-	268,069	268,069	-
Special Revenue Funds	58,784	-	58,784	-
Public Services	20,355	-	20,355	-
Public Safety	4,759	-	4,759	-
Parks and Recreation	101,972	-	101,972	-
Unrestricted	<u>121,177</u>	<u>2,023,420</u>	<u>2,144,597</u>	<u>49,155</u>
TOTAL NET POSITION	<u>2,609,111</u>	<u>12,003,605</u>	<u>14,612,716</u>	<u>2,248,716</u>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	<u>Expenses</u>		
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	249,007	-	20,355
Public Safety			
Police	552,574	389	20,901
Fire	30,127	-	-
E911	73,282	-	-
Street Department	9,851	-	31,139
LGEA	-	-	754
Parks and Recreation	330,919	52,960	-
Interest on Long-Term Debt	42,532	-	-
Total Governmental Activities	<u>1,288,292</u>	<u>53,349</u>	<u>73,149</u>
Business-type Activities			
Water	1,551,303	1,509,120	-
Sewer	264,536	218,100	-
Natural Gas	915,604	996,943	-
Total Business-type Activities	<u>2,731,443</u>	<u>2,724,163</u>	<u>0</u>
Total Primary Government	<u>4,019,735</u>	<u>2,777,512</u>	<u>73,149</u>
COMPONENT UNIT			
Industrial Program	82,802	14,052	10,140
Total Component Unit	<u>82,802</u>	<u>14,052</u>	<u>10,140</u>

Program Revenues
Capital Grants
and
Contributions

Net (Expense) Revenue

1,549	(227,103)
-	(531,284)
-	(30,127)
-	(73,282)
-	21,288
-	754
-	(277,959)
-	(42,532)
<u>1,549</u>	<u>(1,160,245)</u>
-	(42,183)
161,681	115,245
-	81,339
<u>161,681</u>	<u>154,401</u>
<u>163,230</u>	<u>(1,005,844)</u>
<u>300,000</u>	<u>241,390</u>
<u>300,000</u>	<u>241,390</u>

**CITY OF EDMONTON, KENTUCKY
STATEMENT OF ACTIVITIES - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2017**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue	(1,160,245)	154,401	(1,005,844)	241,390
General Revenues				
Taxes				
Property Taxes	85,773	-	85,773	-
Occupational Licenses and Tax	914,302	-	914,302	-
Insurance Premiums Tax	172,090	-	172,090	-
Alcohol Licenses and Fees	4,370	-	4,370	-
Franchise Fees	9,807	-	9,807	-
Investment Income	3,965	20,883	24,848	143
Sale of Surplus Property	3,290	9,880	13,170	-
Miscellaneous	20	-	20	69
Transfers	-	-	-	-
Total General Revenues and Transfers	1,193,617	30,763	1,224,380	212
CHANGES IN NET POSITION	33,372	185,164	218,536	241,602
NET POSITION-BEGINNING	2,575,739	11,818,441	14,394,180	2,007,114
NET POSITION - ENDING	2,609,111	12,003,605	14,612,716	2,248,716

See accompanying notes to financial statements.



CITY OF EDMONTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash on Hand and in Banks	699,511	55,056	754,567
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	3,678	-	3,678
Due from Other Funds	453,898	-	453,898
Due from Other Governments	20,000	3,728	23,728
Restricted Assets - Cash and Savings			
General Fund Reserve	<u>44,675</u>	<u>-</u>	<u>44,675</u>
TOTAL ASSETS	<u>1,221,762</u>	<u>58,784</u>	<u>1,280,546</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	7,504	-	7,504
Payroll Withholdings	34,931	-	34,931
Accrued Expenses - Vacation	<u>24,733</u>	<u>-</u>	<u>24,733</u>
Total Liabilities	<u>67,168</u>	<u>0</u>	<u>67,168</u>
FUND BALANCES			
Restricted	44,675	58,784	103,459
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,109,919</u>	<u>-</u>	<u>1,109,919</u>
Total Fund Balances	<u>1,154,594</u>	<u>58,784</u>	<u>1,213,378</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,221,762</u>	<u>58,784</u>	<u>1,280,546</u>

See accompanying notes to financial statements.



CITY OF EDMONTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances – Total Governmental Funds	1,213,378
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets of \$5,349,292, net of accumulated depreciation of (\$2,269,641), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	3,079,651
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Long-term liabilities of (\$822,262) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	(822,262)
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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>861,656</u>)
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Net Position of Governmental Activities	<u>2,609,111</u>
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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, 2017

	General Fund	Special Revenue Funds	Total Governmental Funds
REVENUES			
Property Taxes	85,773	-	85,773
Occupational Licenses and Tax	914,302	-	914,302
Insurance Premiums Tax	172,090	-	172,090
Alcohol Licenses and Fees	4,370	-	4,370
Franchise Fees	9,807	-	9,807
Intergovernmental Revenue	41,256	31,893	73,149
Penalties and Fines	389	-	389
Parks and Recreation	52,960	-	52,960
Other	20	-	20
Total Revenues	<u>1,280,967</u>	<u>31,893</u>	<u>1,312,860</u>
EXPENDITURES			
Current			
General Government	200,184	-	200,184
Public Safety			
Police	563,222	-	563,222
Fire	30,127	-	30,127
E911	73,282	-	73,282
Street Department	-	9,851	9,851
Parks and Recreation	281,393	-	281,393
Capital Outlay			
General Government	14,851	-	14,851
Police	-	-	0
Park	18,461	-	18,461
Debt Service			
Principal	108,581	-	108,581
Interest	36,970	-	36,970
Agent Fees	5,562	-	5,562
Total Expenditures	<u>1,332,633</u>	<u>9,851</u>	<u>1,342,484</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(51,666)</u>	<u>22,042</u>	<u>(29,624)</u>
OTHER FINANCING SOURCES			
Interest Income	3,911	54	3,965
Surplus Property Sales	3,290	-	3,290
Grant Proceeds	1,549	-	1,549
Total Other Financing Sources (Uses)	<u>8,750</u>	<u>54</u>	<u>8,804</u>
NET CHANGES IN FUND BALANCES	<u>(42,916)</u>	<u>22,096</u>	<u>(20,820)</u>
FUND BALANCES - BEGINNING	<u>1,197,510</u>	<u>36,688</u>	<u>1,234,198</u>
FUND BALANCES - ENDING	<u>1,154,594</u>	<u>58,784</u>	<u>1,213,378</u>

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

Net Changes in Fund Balances – Total Governmental Funds (20,820)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$120,363) exceeded capital outlays of \$33,312 in the current period. See Note 3 for additional details. (87,051)

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 \$108,581. See Note 3 for additional details. 108,581

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. 32,662

Change in Net Position of Governmental Activities **33,372**

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

ASSETS	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CURRENT ASSETS				
Cash on Hand and in Banks	1,883,774	260,477	1,021,135	3,165,386
Investments	-	-	387,182	387,182
Receivables, Net of Allowance for Uncollectible Accounts				
Trade Accounts	137,720	19,767	50,529	208,016
Due from Other Governments	128,249	-	-	128,249
Internal Receivable	312,286	-	127,388	439,674
Total Current Assets	<u>2,462,029</u>	<u>280,244</u>	<u>1,586,234</u>	<u>4,328,507</u>
RESTRICTED ASSETS				
Cash and Savings				
Sinking Funds	151,117	68,279	-	219,396
Funded Depreciation	395,913	10,685	-	406,598
Other Cash	268,069	-	-	268,069
Total Restricted Assets	<u>815,099</u>	<u>78,964</u>	<u>0</u>	<u>894,063</u>
NON-CURRENT ASSETS				
Capital Assets				
Land	98,363	1,500	-	99,863
Other Capital Assets, Net of Accumulated Depreciation	6,302,550	3,880,980	1,420,722	11,604,252
Deposits	85	-	-	85
Total Non-Current Assets	<u>6,400,998</u>	<u>3,882,480</u>	<u>1,420,722</u>	<u>11,704,200</u>
TOTAL ASSETS	<u>9,678,126</u>	<u>4,241,688</u>	<u>3,006,956</u>	<u>16,926,770</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	<u>132,708</u>	<u>19,767</u>	<u>114,105</u>	<u>266,580</u>

LIABILITIES AND NET POSITION	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CURRENT LIABILITIES				
Accounts Payable	62,933	137	15,792	78,862
Accrued Expenses				
School Tax	3,548	-	1,381	4,929
Sales Tax	579	248	1,549	2,376
Vacation Accrual	12,784	511	16,864	30,159
Meter Deposits	258,111	-	150,817	408,928
Current Portion of Loans Payable	18,427	-	70,000	88,427
Internal Payable	550,120	312,286	31,166	893,572
Total Current Liabilities	906,502	313,182	287,569	1,507,253
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest	36,940	2,111	-	39,051
Current Portion of Revenue Bonds	91,000	14,900	-	105,900
Total Liabilities Payable From Restricted Assets	127,940	17,011	0	144,951
NON-CURRENT LIABILITIES				
Long-Term Portion of Financing Revenue Bonds Payable	1,758,343	642,500	-	2,400,843
Loans Payable				
Kentucky League of Cities	-	-	41,250	41,250
KIA	109,822	-	-	109,822
Net Pension Liability	440,233	66,853	422,190	929,276
Total Non-Current Liabilities	2,308,398	709,353	463,440	3,481,191
TOTAL LIABILITIES	3,342,840	1,039,546	751,009	5,133,395
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	26,634	3,952	25,764	56,350
NET POSITION				
Invested in Capital Assets, Net of Related Debt	4,551,570	3,225,080	1,309,472	9,086,122
Restricted for				
Debt Service	547,030	78,964	-	625,994
Other	268,069	-	-	268,069
Unrestricted (Deficit)	1,074,691	(86,087)	1,034,816	2,023,420
TOTAL NET POSITION	6,441,360	3,217,957	2,344,288	12,003,605

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
OPERATING REVENUES				
Charges for Services	1,458,176	214,245	979,368	2,651,789
Miscellaneous	50,944	3,855	17,575	72,374
Total Operating Revenues	1,509,120	218,100	996,943	2,724,163
OPERATING EXPENSES				
Salaries and Wages	236,408	32,971	197,048	466,427
Gas Purchased	-	-	441,134	441,134
Water Purchased	504,084	-	-	504,084
Utilities and Telephone	45,468	51,721	6,065	103,254
Materials and Supplies	140,424	31,710	17,755	189,889
Auto Expense	20,112	213	13,041	33,366
Insurance	86,676	14,882	91,014	192,572
Postage and Freight	8,276	1,455	7,932	17,663
Depreciation	292,703	87,507	55,857	436,067
Legal and Accounting	9,513	2,850	8,869	21,232
Payroll Taxes and Retirement	64,375	9,567	53,418	127,360
Miscellaneous Expenses	52,916	14,006	17,144	84,066
Bad Debt Expense	708	279	-	987
Total Operating Expenses	1,461,663	247,161	909,277	2,618,101
OPERATING INCOME	47,457	(29,061)	87,666	106,062
NON-OPERATING REVENUES (EXPENSES)				
Grant Income	-	161,681	-	161,681
Gain on Sale of Assets	9,880	-	-	9,880
Interest Income	12,154	1,658	7,071	20,883
Bond Interest	(89,640)	(17,375)	-	(107,015)
Loan Interest	-	-	(5,425)	(5,425)
Loan Fees	-	-	(902)	(902)
Transfers In (Out)	(74,174)	74,174	-	0
Total Non-Operating Revenues (Expenses)	(141,780)	220,138	744	79,102
INCREASE (DECREASE) IN NET POSITION	(94,323)	191,077	88,410	185,164
NET POSITION - BEGINNING	6,535,683	3,026,880	2,255,878	11,818,441
NET POSITION - ENDING	6,441,360	3,217,957	2,344,288	12,003,605

See accompanying notes to financial statements.

CITY OF EDMONTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	1,456,833	214,430	966,670	2,637,933
Cash Payments to Suppliers for Goods and Services	(811,394)	(124,014)	(603,383)	(1,538,791)
Cash Payments to Employees for Services	(298,533)	(43,197)	(245,973)	(587,703)
Other Operating Revenues	<u>50,944</u>	<u>3,855</u>	<u>17,575</u>	<u>72,374</u>
Net Cash Provided by Operating Activities	<u>397,850</u>	<u>51,074</u>	<u>134,889</u>	<u>583,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant Proceeds Received	-	161,681	-	161,681
Acquisition of Capital Assets	(28,322)	(235,859)	-	(264,181)
Proceeds from Sale of Assets	9,880	-	-	9,880
Payments on				
Revenue Bonds	(91,800)	(14,800)	-	(106,600)
Kentucky League of Cities	-	-	(70,000)	(70,000)
Interest Paid on Revenue Bonds and Notes Payable	(91,298)	(17,375)	(6,327)	(115,000)
Net Cash Used by Capital and Related Financing Activities	<u>(201,540)</u>	<u>(106,353)</u>	<u>(76,327)</u>	<u>(384,220)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfer to (from) other funds	<u>(74,174)</u>	<u>74,174</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	<u>12,154</u>	<u>1,658</u>	<u>7,071</u>	<u>20,883</u>
NET INCREASE IN CASH	134,290	20,553	65,633	220,476
CASH - BEGINNING OF YEAR	<u>1,749,484</u>	<u>239,924</u>	<u>955,502</u>	<u>2,944,910</u>
CASH - END OF YEAR	<u>1,883,774</u>	<u>260,477</u>	<u>1,021,135</u>	<u>3,165,386</u>

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	47,457	(29,061)	87,666	106,062
Adjustments for Items not Providing or Using Cash				
Depreciation	292,703	87,507	55,857	436,067
(Gain) Loss on disposal of Assets	(9,880)	-	-	(9,880)
(Increase) Decrease in				
Receivables, Net of Allowance				
Trade Accounts	(1,343)	185	(12,698)	(13,856)
Restricted Assets - Cash and Savings				
Sinking Funds	(491)	(2,046)	-	(2,537)
Funded Depreciation Funds	(17,099)	(2,806)	-	(19,905)
Other Cash	72,911	2	(2,015)	70,898
Increase (Decrease) in				
Accounts Payable	9,039	(2,048)	(1,700)	5,291
Accrued Expenses				
School Tax	(205)	-	(467)	(672)
Sales Tax	(1,652)	-	929	(723)
Vacation Accrual	(1,911)	(1,283)	1,172	(2,022)
Meter Deposits	4,160	-	2,824	6,984
Due to Other Funds	-	-	-	0
Pension Deferred Inflows/Outflows	4,161	624	3,321	8,106
Net Cash Provided by Operating Activities	<u>397,850</u>	<u>51,074</u>	<u>134,889</u>	<u>583,813</u>

See accompanying notes to financial statements.



**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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. The separate financial statements for the Edmonton-Metcalf Industrial Development Authority may be obtained by contacting the Authority.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017**

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.

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

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

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



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 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.



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

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, **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



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Deferred Outflows and Inflows of Resources - Concluded

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, 2017.

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

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONCLUDED

Fund Balances - Governmental Funds - Concluded

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, 2017.

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, 2017.

Unassigned – This classification includes amounts that are available for any purpose. At June 30, 2017, 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 \$76,366 at June 30, 2017.

ECONOMIC DEPENDENCY

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

USE OF ESTIMATES

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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

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, 2017. Annual budgets for all governmental fund types were adopted on a basis consistent with accounting principles generally accepted in the United States.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017, City of Edmonton, Kentucky's (book) deposits were \$5,245,773, and the bank balance was \$5,286,822 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, 2017, the City had funds of \$4,536,822 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 \$48,771. These amounts do not exceed FDIC insurance limits and are held for an entity separate from the City of Edmonton.

Interest Rate Risk

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

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

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard outlined in the City's investment policy to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

ASSETS - CONTINUED

CASH DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk

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

The funds of the City of Edmonton available for investment shall be invested in accordance with the City's investment policy and all applicable State statutes only in the types of investment instruments as listed on the following page.

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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017, taxes were levied on November 1, 2016, and due and payable on February 28, 2017. 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 .086 per \$100 of assessed valuation of real property and .086 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, 2017, the receivable for property taxes was \$3,678.

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, 2017

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, 2017:

	Water	Sewer	Natural Gas	Total Enterprise Funds
Accounts Receivable	229,532	37,103	112,309	378,944
Allowance for Uncollectibles	(91,812)	(17,336)	(61,780)	(170,928)
Accounts Receivable, Net	<u>137,720</u>	<u>19,767</u>	<u>50,529</u>	<u>208,016</u>

RESTRICTED ASSETS

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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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 6-30-16	Additions	Deletions	Balance 6-30-17
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	300,651	14,851	-	315,502
Vehicles	703,207	-	21,218	681,989
Streets and Sidewalks	287,979	-	-	287,979
Municipal Park	973,103	18,462	-	991,565
	<u>5,337,197</u>	<u>33,313</u>	<u>21,218</u>	<u>5,349,292</u>
Less Accumulated Depreciation	<u>2,170,496</u>	<u>120,363</u>	<u>21,218</u>	<u>2,269,641</u>
Governmental Activities Capital Assets, Net	<u>3,166,701</u>	<u>(87,050)</u>	<u>0</u>	<u>3,079,651</u>
Business-type Activities				
Land	89,863	10,000	-	99,863
Buildings and Improvements	19,236,617	235,858	-	19,472,475
Equipment	637,379	12,208	-	649,587
Vehicles	229,792	15,995	16,475	229,312
	<u>20,193,651</u>	<u>274,061</u>	<u>16,475</u>	<u>20,451,237</u>
Less Accumulated Depreciation	<u>8,327,530</u>	<u>436,067</u>	<u>16,475</u>	<u>8,747,122</u>
Business-type Activities Capital Assets, Net	<u>11,866,121</u>	<u>(162,006)</u>	<u>0</u>	<u>11,704,115</u>
COMPONENT UNIT				
Industrial Development				
Land	187,097	-	-	187,097
Construction in Progress - Spec Bldg	-	1,048,781	-	1,048,781
Buildings	755,413	-	-	755,413
Electrical Transmission Line	1,647,755	-	-	1,647,755
	<u>2,590,265</u>	<u>1,048,781</u>	<u>-</u>	<u>3,639,046</u>
Less Accumulated Depreciation	<u>538,036</u>	<u>56,259</u>	<u>-</u>	<u>594,295</u>
Industrial Development Capital Assets, Net	<u>2,052,229</u>	<u>992,522</u>	<u>-</u>	<u>3,044,751</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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	47,384
Police	25,223
Parks and Recreation	<u>47,756</u>

Total Depreciation Expense – Governmental Activities **120,363**

Business-type Activities

Water	292,703
Sewer	87,507
Natural Gas	<u>55,857</u>

Total Depreciation Expense – Business-type Activities **436,067**

TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT **556,430**

COMPONENT UNIT

Industrial Development	<u>56,259</u>
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LIABILITIES

CAPITAL LEASES - GOVERNMENTAL ACTIVITIES

General Obligation Lease

On November 23, 2003, the City entered into an annually renewable lease agreement with the Kentucky League of Cities Funding Trust. The total amount of the lease was \$1,345,000 payable in monthly principal and interest installments beginning January 15, 2004, and ending December 15, 2023. The lease bears interest at 4.07%. The proceeds were used to construct a municipal park. At the end of the lease agreement, the park will be transferred to the City of Edmonton. The balance of the lease at June 30, 2017, was \$589,345.

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, 2017, was \$67,917.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017, was \$165,000.

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, 2017, the balance of the note and interest was \$128,249.

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 \$111,250 as of June 30, 2017. 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, 2017:

1980 Issue	14,500
1982 Issue - Series A	35,000
1984 Issue	245,943

1990 Issue

The water and sewer revenue bond of 1990 in the amount of \$373,000 was issued to FmHA, now Rural Development (RD), on September 17, 1992. This bond matures each January 1 through 2031 and bears interest at the rate of 5%, with \$217,000 due as of June 30, 2017.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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 \$212,000 due as of June 30, 2017.

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 \$308,000 due as of June 30, 2017.

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 \$148,900 due as of June 30, 2017.

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 \$87,200 due as of June 30, 2017.

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 \$668,000 due as of June 30, 2017.

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 \$570,200 due as of June 30, 2017.

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

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



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

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

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

Flow of Funds

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

Revenue Fund

The City covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the City only for the purpose and in the manner and order of priorities specified in the Prior Bond Ordinance, as hereinafter modified by this Ordinance, all as permitted by the Act, and in accordance with previous contractual commitments.

First Lien Sinking Fund

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

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

Said First Lien Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the First Lien Bonds.

Second Lien Sinking Fund

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

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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	216,663
Actual Transfers	<u>219,200</u>
Transfers Over (Under) Requirement	2,537
Beginning Balance – Sinking Funds	<u>216,859</u>
Ending Balance – Sinking Funds	<u>219,396</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, 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	90,239	118,000	208,239
June 30, 2022	<u>84,911</u>	<u>114,500</u>	<u>199,411</u>
	<u>476,332</u>	<u>564,800</u>	<u>1,041,132</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017, the depreciation fund had a balance of \$406,598, 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.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES - CONTINUED

Operation and Maintenance Fund - Concluded

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

Investment and Miscellaneous Provisions

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

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

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

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

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

Monthly Principal and Interest Payments if Requested by the RD

In the event that USDARD is the Registered Owner of the Series 2002 Bonds, then in the event USDARD so desires, payments to USDARD from the Second Lien Bond Fund for interest and principal installments on the Second Lien Bonds and Series 2002 Bonds shall be made directly to USDARD on a monthly basis. The City shall submit the Electronic Funds Transfer Payment Enrollment Form (Form SF-3881) in order to affect Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") and provide electronic transfer payments due on the Series 2002 Bond. It is

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017, was \$116,536.

On June 2, 2016, the Industrial Development Authority entered into an agreement with Edmonton State Bank to borrow funds for the construction of a 30,000 square foot spec building to be used for industrial purposes. The total amount available was \$1,000,304 bearing interest at 3.5%, and due June 2, 2017. The construction project began in July 2016, and is still ongoing at year end June 30, 2017. The draws on the loan as of June 30, 2017 were \$728,654. On June 2, 2017, the loan was extended to September 9, 2017, and then extended again to December 2, 2017. As of June 30, 2017, the balance was \$728,654.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2017:

	Balance 6-30-16	Issued	Retired	Balance 6-30-17	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
General Obligation Leases					
Municipal Park	664,289	-	74,944	589,345	78,760
Special Obligation Lease					
Municipal Park	76,554	-	8,637	67,917	9,076
KADD - City Hall	190,000	-	25,000	165,000	25,000
Total Governmental Activities	930,843	0	108,581	822,262	112,836
Business-type Activities					
Loans Payable					
KY Infrastructure Authority	146,710	-	18,461	128,249	18,427
Kentucky League of Cities	181,250	-	70,000	111,250	70,000
	327,960	0	88,461	239,499	88,427
Revenue Bonds Payable					
1980 Issue	19,000	-	4,500	14,500	4,500
1982 Issue - Series A	43,000	-	8,000	35,000	8,000
1982 Issue - Series C	5,000	-	5,000	-	-
1984 Issue	270,943	-	25,000	245,943	27,000
1990 Issue	228,000	-	11,000	217,000	11,000
1993 Issue	221,000	-	9,000	212,000	9,000
1995 Issue	318,000	-	10,000	308,000	11,000
1996 Issue	154,200	-	5,300	148,900	5,500
2000 Issue	89,500	-	2,300	87,200	15,000
2002 Issue	682,000	-	14,000	668,000	2,400
2013 Issue	582,700	-	12,500	570,200	12,500
	2,613,343	0	106,600	2,506,743	105,900
Total Business-type Activities	2,941,303	0	195,061	2,746,242	194,327
COMPONENT UNIT					
Industrial Program					
Edmonton State Bank	-	728,654	-	728,654	728,654
Edmonton State Bank	130,912	-	14,376	116,536	13,773
Total Industrial Program	130,912	728,654	14,376	845,190	742,427

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONTINUED

LIABILITIES - CONTINUED

DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2017, were as follows:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
Capital Leases			
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	17,262	149,210
June 30, 2022	137,138	11,554	148,692
June 30, 2023 - 2024	201,016	6,601	207,617
	<u>822,262</u>	<u>118,605</u>	<u>940,867</u>
Total Governmental Activities	<u>822,262</u>	<u>118,605</u>	<u>940,867</u>
Business-type Activities			
Loans Payable			
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	17,817	469	18,286
June 30, 2023 - 2024	36,038	427	36,465
	<u>235,055</u>	<u>8,994</u>	<u>244,049</u>
Revenue Bonds Payable			
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	114,500	84,911	199,411
June 30, 2023 - 2027	542,543	346,527	889,070
June 30, 2028 - 2032	533,000	232,070	765,070
June 30, 2033 - 2037	399,700	126,281	525,981
June 30, 2038 - 2042	308,500	62,446	370,946
June 30, 2043 - 2047	112,500	23,320	135,820
June 30, 2048 - 2049	45,700	5,906	51,606
	<u>2,506,743</u>	<u>1,272,882</u>	<u>3,779,625</u>
Total Business-type Activities	<u>2,741,798</u>	<u>1,281,876</u>	<u>4,023,674</u>

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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, 2018	742,427	17,162	759,589
June 30, 2019	14,334	3,850	18,184
June 30, 2020	14,918	3,266	18,184
June 30, 2021	15,526	2,658	18,184
June 30, 2022	16,159	2,025	18,184
June 30, 2023 - 2025	<u>41,826</u>	<u>2,119</u>	<u>43,945</u>
Total Component Unit	<u>845,190</u>	<u>31,080</u>	<u>876,270</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, 2017, are listed on the following page.

CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

3. DETAILED NOTES ON FUNDS AND COMPONENT UNIT - CONCLUDED

BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - CONCLUDED

RECEIVABLES AND PAYABLES - CONCLUDED

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

TRANSFERS AND PAYMENTS

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

Transfers between funds were as follows:

	<u>WATER FUND</u>	<u>SEWER FUND</u>
Transfers to (from)	<u>(74,174)</u>	<u>74,174</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.

**CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017**

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 31.06% and 18.68%, respectively, of regular covered employee compensation for the year ended June 30, 2017. 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, 2017, was \$284,424 and \$622,968, respectively; the City's total payroll was \$999,949. The contribution payments for the year ended June 30, 2017, were \$258,719, which consisted of \$204,712 from the City and \$54,007 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, 2017, 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 \$2,097,591. The net pension liability for the plan was measured as of June 30, 2016, 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, 2016, the City proportion was .04513% for hazardous and .02645% for non-hazardous.

For the year ended June 30, 2017, the City recognized pension expense of \$180,211. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	HAZARDOUS		NON-HAZARDOUS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	20,594	-	10,966	-
Changes of assumptions	81,941	-	133,055	-
Net difference between projected and actual earnings on pension plan investments	56,014	32,452	106,326	58,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,499	32,513	5,242	19,813
Employer contributions subsequent to the measurement date	<u>88,342</u>	<u>-</u>	<u>116,424</u>	<u>-</u>
Total	<u>288,390</u>	<u>64,965</u>	<u>372,013</u>	<u>78,549</u>



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

4. RETIREMENT PLAN - CONTINUED

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

The \$88,342 (Hazardous) and \$116,424 (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, 2018. 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, 2018	47,310	66,565
June 30, 2019	47,311	66,564
June 30, 2020	47,311	48,749
June 30, 2021	42,883	36,873
June 30, 2022	17,845	24,978

Actuarial Assumptions

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 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 December 3, 2015.



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

4. RETIREMENT PLAN - CONTINUED

Actuarial Assumptions - Concluded

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.00%
Cash Equivalent	<u>2%</u>	(0.25)%
Total	<u>100%</u>	

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 27-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate is adjusted to reflect the phase-in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. 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 table on the following page 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.



CITY OF EDMONTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

4. RETIREMENT PLAN - CONCLUDED

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

HAZARDOUS	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	1,002,069
Current Discount Rate	7.50%	795,293
1% Increase	8.50%	628,281

NON-HAZARDOUS	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.50%	1,627,873
Current Discount Rate	7.50%	1,302,298
1% Increase	8.50%	1,028,815

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.

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.



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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
			GAAP Basis	Budget
REVENUES				
Property Taxes	85,000	85,000	85,773	773
Occupational Licenses and Tax	890,000	890,000	914,302	24,302
Insurance Premiums Tax	164,000	164,000	172,090	8,090
Alcohol Licenses and Fees	4,500	4,500	4,370	(130)
Franchise Fees	9,000	9,000	9,807	807
Intergovernmental Revenue	75,000	75,000	41,256	(33,744)
Penalties and Fines	500	500	389	(111)
Parks and Recreation	50,000	50,000	52,960	2,960
Other	2,000	3,758	20	(3,738)
Total Revenues	1,280,000	1,281,758	1,280,967	(791)
EXPENDITURES				
Current				
General Government	270,089	285,497	200,184	85,313
Public Safety				
Police	380,240	385,240	563,222	(177,982)
Fire	34,926	34,926	30,127	4,799
E911	72,500	72,500	73,282	(782)
Street Department	-	-	-	0
Parks and Recreation	294,820	294,820	281,393	13,427
Capital Outlay	16,500	13,104	33,312	(20,208)
Debt Service				
Principal	108,581	108,581	108,581	0
Interest	36,824	36,970	36,970	0
Agent Fees	5,562	5,562	5,562	0
Total Expenditures	1,220,042	1,237,200	1,332,633	(95,433)
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	59,958	44,558	(51,666)	(96,224)
OTHER FINANCING SOURCES (USES)				
Interest Income	5,000	5,000	3,911	(1,089)
Surplus Property Sales	-	-	3,290	3,290
Grant Proceeds	8,500	8,500	1,549	(6,951)
Total Other Financing	13,500	13,500	8,750	(4,750)
Sources (Uses)				
NET CHANGE IN FUND BALANCE	73,458	58,058	(42,916)	(100,974)
FUND BALANCE - BEGINNING	1,156,385	1,156,385	1,197,510	41,125
FUND BALANCE - ENDING	1,229,843	1,214,443	1,154,594	(59,849)

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, 2017**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental Revenue	<u>30,888</u>	<u>30,888</u>	<u>31,893</u>	<u>1,005</u>
Total Revenues	<u>30,888</u>	<u>30,888</u>	<u>31,893</u>	<u>1,005</u>
EXPENDITURES				
Current				
Street Department	87,473	87,473	9,851	77,622
LGEA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>87,473</u>	<u>87,473</u>	<u>9,851</u>	<u>77,622</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(56,585)</u>	<u>(56,585)</u>	<u>22,042</u>	<u>78,627</u>
OTHER FINANCING SOURCES (USES)				
Interest Income	-	-	54	54
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>54</u>	<u>54</u>
NET CHANGE IN FUND BALANCE	<u>(56,585)</u>	<u>(56,585)</u>	<u>22,096</u>	<u>78,681</u>
FUND BALANCE - BEGINNING	<u>56,585</u>	<u>56,585</u>	<u>36,688</u>	<u>(19,897)</u>
FUND BALANCE - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>58,784</u></u>	<u><u>58,784</u></u>

See independent auditor's report.

CITY OF EDMONTON, KENTUCKY
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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

County Employees' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability			
Hazardous	.045761%	.04860%	.04513%
Non-Hazardous	.027031%	.02719%	.02645%
City's proportionate share of the net pension liability			
Hazardous	549,963	746,024	774,464
Non-Hazardous	876,980	1,169,014	1,302,298
City's covered payroll			
Hazardous	231,825	248,582	264,805
Non-Hazardous	619,970	634,681	630,967
City's proportionate share of the net pension liability as a percentage of its covered payroll			
Hazardous	237.23%	300.11%	292.47%
Non-Hazardous	141.55%	184.19%	206.39%
Plan fiduciary net position as a percentage of the total pension liability			
Hazardous	63.46%	57.52%	53.95%
Non-Hazardous	66.80%	59.97%	55.50%

(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, 2017

SCHEDULE OF CITY'S CONTRIBUTIONS

County Employees' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution			
Hazardous	85,289	87,253	88,342
Non-Hazardous	<u>112,092</u>	<u>107,643</u>	<u>116,370</u>
Total	197,381	194,896	204,712
Contributions in relation to the contractually required contribution	(197,381)	(194,896)	(204,712)
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll			
Hazardous	248,582	264,805	284,424
Non-Hazardous	634,681	630,967	622,968
Contribution as a percentage of covered payroll			
Hazardous	34.31%	32.95%	31.06%
Non-Hazardous	17.67%	17.06%	18.68%

(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 - None.

See independent auditor's report



SUPPLEMENTARY INFORMATION

CITY OF EDMONTON, KENTUCKY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2017

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
ASSETS			
Cash in Banks	30,629	24,427	55,056
Due from Other Governments	<u>3,728</u>	<u>-</u>	<u>3,728</u>
TOTAL ASSETS	<u>34,357</u>	<u>24,427</u>	<u>58,784</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES	-	-	0
FUND BALANCES - RESTRICTED	<u>34,357</u>	<u>24,427</u>	<u>58,784</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>34,357</u>	<u>24,427</u>	<u>58,784</u>

**CITY OF EDMONTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
REVENUES			
Intergovernmental Revenue	<u>31,139</u>	<u>754</u>	<u>31,893</u>
Total Revenues	<u>31,139</u>	<u>754</u>	<u>31,893</u>
EXPENDITURES			
Streets	<u>9,851</u>	<u>-</u>	<u>9,851</u>
LGEA	<u>-</u>	<u>-</u>	<u>0</u>
Total Expenditures	<u>9,851</u>	<u>0</u>	<u>9,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>21,288</u>	<u>754</u>	<u>22,042</u>
OTHER FINANCING SOURCES (USES)			
Interest Income	<u>-</u>	<u>54</u>	<u>54</u>
Transfers	<u>-</u>	<u>-</u>	<u>0</u>
Total Financing Sources (Uses)	<u>0</u>	<u>54</u>	<u>54</u>
NET CHANGES IN FUND BALANCES	<u>21,288</u>	<u>808</u>	<u>22,096</u>
FUND BALANCES - BEGINNING	<u>13,069</u>	<u>23,619</u>	<u>36,688</u>
FUND BALANCES - ENDING	<u>34,357</u>	<u>24,427</u>	<u>58,784</u>

**CITY OF EDMONTON, KENTUCKY
DISCRETELY PRESENTED COMPONENT UNIT
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash on Hand and in Banks	48,771
Due from Other Governments (City)	<u>384</u>

TOTAL ASSETS

49,155

LIABILITIES AND FUND BALANCE

LIABILITIES	0
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FUND BALANCE - COMMITTED	<u>49,155</u>
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TOTAL LIABILITIES AND FUND BALANCE

49,155

**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, 2017**

Total Fund Balance – Component Unit	49,155
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Amounts reported for *component unit* in the statement of net position are different because:

Capital assets of \$3,639,047, net of accumulated depreciation of (\$594,296), are not current financial resources and, therefore, are not reported in the fund.	3,044,751
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Long-term liabilities of (\$845,190) are not due and payable in the current period and are not reported in the fund.	(<u>845,190</u>)
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Net Position of Component Unit	<u>2,248,716</u>
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**CITY OF EDMONTON, KENTUCKY
DISCRETELY PRESENTED COMPONENT UNIT
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Rent Income	14,052
Intergovernmental	10,140
Miscellaneous Income	<u>69</u>

Total Revenues	24,261
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EXPENDITURES

Industrial Program	22,735
Capital Outlay - Spec Building	1,048,781
Debt Service	
Principal	14,377
Interest	<u>3,807</u>

Total Expenditures	1,089,700
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EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,065,439)
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OTHER FINANCING SOURCES

Interest Income	143
Grant Proceeds	300,000
Loan Proceeds	<u>728,654</u>

NET CHANGE IN FUND BALANCE	(36,642)
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FUND BALANCE - BEGINNING	<u>85,797</u>
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FUND BALANCE - ENDING	<u><u>49,155</u></u>
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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, 2017

Net Change in Fund Balance – Component Unit (36,642)

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. This is the amount by which capital outlays of \$1,048,781 exceeded depreciation expense of (\$56,260).

992,521

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 proceeds of (\$728,654) exceeded debt payments of \$14,377.

(714,277)

Change in Net Position of Component Unit

241,602

TAYLOR, POLSON & COMPANY, PSC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2017, 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 December 1, 2017.

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; therefore, material weaknesses may exist that were not identified.

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

Internal Control Over Financial Reporting - Concluded

We did identify a deficiency in internal control that we consider to be a material weakness:

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

Criteria: In order to present financial statements in accordance with generally accepted accounting principles, the City should make certain adjustments for fixed assets, long-term debt, and the pension liability.

Cause: The new clerk has not yet obtained the knowledge needed to make the appropriate adjustments.

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

Recommendation: The City Clerk needs additional training in the areas of accounting and financial statement preparation, in order to present financial statements in accordance with generally accepted accounting principles.

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

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.


Certified Public Accountants

Glasgow, Kentucky

December 1, 2017

