

**CITY OF EDMONTON, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2018**

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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**

**BILLY JEFFRIES**  
**RONNIE MILLER**  
**CATHY NUNN**

**CITY CLERK-TREASURER.....DAWN DEVORE**  
**DEPUTY CITY CLERK..... ALICIA REED**  
**ASSISTANT CITY CLERK ..... CONNIE SHIVE**  
**ASSISTANT CITY CLERK .....ALLEY BRAGG**  
**CITY ATTORNEY ..... SHARON HOWARD**  
**CITY SUPERINTENDENT..... HOWARD DICKSON**  
**POLICE CHIEF .....DELANEY WILSON**  
**PARKS AND RECREATION DIRECTOR ..... PAGE EDWARDS**



# TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804

GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877

FAX 270-651-8879

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

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

BRANCH OFFICE  
108 WEST THIRD STREET  
P.O. BOX 128

TOMPKINSVILLE, KENTUCKY 42167  
TELEPHONE 270-487-6515  
FAX 270-487-6515

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edmonton, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Edmonton, Kentucky's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edmonton, Kentucky, as of June 30, 2018, 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.

### ***Emphasis of Matter***

As described in Note 6 to the financial statements, the City of Edmonton adopted new accounting guidance, GASB Statement No. 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***. Our opinion is not modified with respect to this matter.

### ***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 - 20), budgetary comparison information (pages 73 - 74), and pension and OPEB information (pages 75 - 79) 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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 18, 2019, on our consideration of the City of Edmonton, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering City of Edmonton, Kentucky's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Taylor, Wilson & Company, PSC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Glasgow, Kentucky

February 18, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018, the City's assets exceeded liabilities by \$13,428,963. Total net position is comprised of the following:
  1. Net position of \$11,227,646 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 \$1,117,275 is restricted to specific projects by laws, regulations, contractual agreements, or debt service.
  3. Unrestricted net position of \$1,084,042 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Unrestricted cash balances as of June 30, 2018, were \$3,736,685, and current liabilities payable from unrestricted resources were \$823,839.
- Net position decreased by \$548,557 to \$13,428,963.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$25,592 to a total of \$1,187,786.
- Net position in the proprietary funds decreased \$350,852 to a total of \$11,352,338.

#### **Revenues and Expenditures**

- Revenues in governmental funds were \$1,376,736. 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 \$1,503,305. 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 \$100,977. This amount includes interest income, loan proceeds, grant proceeds, and other items.
- Revenues from proprietary fund types totaled \$2,667,825. This includes charges for utility services (water, sewer, and natural gas).
- Expenses in the proprietary fund types totaled \$2,914,002. This includes amounts for salaries and wages, utility services purchased (water and natural gas), depreciation, and other items.
- Non-operating revenues and expenses netted \$104,675 of expense. 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, 2018**

## **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, 2018**

**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 and OPEB 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, 2018**

**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, \$191,094 is restricted to comply with provisions of various laws, regulations, and contractual agreements. \$926,181 of the City's business-type activities' net position is restricted for debt service.

The second statement presents a brief look at the operations. We offer some broad observations about this year's operations. Compared to the prior year, total governmental revenues increased \$129,271. The utilities had a decrease in revenues of \$224,097. The change in net position was a decrease of \$197,705 for governmental-type activities and a decrease of \$350,852 for business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NET POSITION**

	PRIMARY GOVERNMENT					
	Governmental Activities 6-30-18	Governmental Activities 6-30-17	Business-type Activities 6-30-18	Business-type Activities 6-30-17	Total 6-30-18	Total 6-30-17
<b>ASSETS</b>						
Current Assets	1,277,485	1,235,871	4,295,187	4,328,507	5,572,672	5,564,378
Restricted Assets	-	44,675	926,181	894,063	926,181	938,738
Non-Current Assets	<u>3,038,688</u>	<u>3,079,651</u>	<u>11,340,563</u>	<u>11,704,200</u>	<u>14,379,251</u>	<u>14,783,851</u>
<b>Total Assets</b>	<b><u>4,316,173</u></b>	<b><u>4,360,197</u></b>	<b><u>16,561,931</u></b>	<b><u>16,926,770</u></b>	<b><u>20,878,104</u></b>	<b><u>21,286,967</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>721,129</u></b>	<b><u>393,823</u></b>	<b><u>468,872</u></b>	<b><u>266,580</u></b>	<b><u>1,190,001</u></b>	<b><u>660,403</u></b>
<b>LIABILITIES</b>						
Current Liabilities	207,008	180,004	1,556,815	1,507,253	1,763,823	1,687,257
Liabilities Payable from Restricted Assets	-	-	148,094	144,951	148,094	144,951
Non-Current Liabilities	<u>2,599,327</u>	<u>1,877,741</u>	<u>3,823,680</u>	<u>3,481,191</u>	<u>6,423,007</u>	<u>5,358,932</u>
<b>Total Liabilities</b>	<b><u>2,806,335</u></b>	<b><u>2,057,745</u></b>	<b><u>5,528,589</u></b>	<b><u>5,133,395</u></b>	<b><u>8,334,924</u></b>	<b><u>7,191,140</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b><u>154,342</u></b>	<b><u>87,164</u></b>	<b><u>149,876</u></b>	<b><u>56,350</u></b>	<b><u>304,218</u></b>	<b><u>143,514</u></b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Debt	2,329,261	2,257,389	8,898,385	9,086,122	11,227,646	11,343,511
Restricted	191,094	230,545	926,181	894,063	1,117,275	1,124,608
Unrestricted	<u>( 443,730)</u>	<u>121,177</u>	<u>1,527,772</u>	<u>2,023,420</u>	<u>1,084,042</u>	<u>2,144,597</u>
<b>TOTAL NET POSITION</b>	<b><u>2,076,625</u></b>	<b><u>2,609,111</u></b>	<b><u>11,352,338</u></b>	<b><u>12,003,605</u></b>	<b><u>13,428,963</u></b>	<b><u>14,612,716</u></b>

Unrestricted net position has been decreased \$334,781 for governmental activities and \$300,415 for business-type activities, for the effects of GASB 75. (See Note 6.)



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**OPERATING RESULTS**

	PRIMARY GOVERNMENT					
	Governmental Activities 6-30-18	Governmental Activities 6-30-17	Business-type Activities 6-30-18	Business-type Activities 6-30-17	Total 6-30-18	Total 6-30-17
<b>PROGRAM REVENUES</b>						
Charges for Services	45,826	53,349	2,667,825	2,724,163	2,713,651	2,777,512
Operating Grants and Contributions	92,000	73,149	-	-	92,000	73,149
Capital Grants and Contributions	62,350	1,549	-	161,681	62,350	163,230
<b>GENERAL REVENUES</b>						
Property Taxes	89,201	85,773	-	-	89,201	85,773
Occupational Licenses and Tax	976,705	914,302	-	-	976,705	914,302
Insurance Premiums Tax	166,621	172,090	-	-	166,621	172,090
Alcohol Licenses and Fees	3,680	4,370	-	-	3,680	4,370
Franchise Fees	10,753	9,807	-	-	10,753	9,807
Investment Income	3,246	3,965	24,685	20,883	27,931	24,848
Sale of Surplus Property	( 1,097)	3,290	-	9,880	( 1,097)	13,170
Miscellaneous	1,650	20	-	-	1,650	20
<b>Total Revenues</b>	<b><u>1,450,935</u></b>	<b><u>1,321,664</u></b>	<b><u>2,692,510</u></b>	<b><u>2,916,607</u></b>	<b><u>4,143,445</u></b>	<b><u>4,238,271</u></b>
<b>PROGRAM EXPENSES</b>						
General Government	357,097	249,007	-	-	357,097	249,007
Public Safety	875,585	655,983	-	-	875,585	655,983
Street Department	36,601	9,851	-	-	36,601	9,851
Parks and Recreation	366,211	330,919	-	-	366,211	330,919
Interest on Long-Term Debt	37,327	42,532	-	-	37,327	42,532
Water	-	-	1,644,507	1,551,303	1,644,507	1,551,303
Sewer	-	-	303,560	264,536	303,560	264,536
Natural Gas	-	-	1,071,114	915,604	1,071,114	915,604
<b>Total Expenses</b>	<b><u>1,672,821</u></b>	<b><u>1,288,292</u></b>	<b><u>3,019,181</u></b>	<b><u>2,731,443</u></b>	<b><u>4,692,002</u></b>	<b><u>4,019,735</u></b>
<b>EXCESS BEFORE TRANSFERS</b>	<b>( 221,886)</b>	<b>33,372</b>	<b>( 326,671)</b>	<b>185,164</b>	<b>( 548,557)</b>	<b>218,536</b>
Transfers	24,181	-	( 24,181)	-	-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b><u>( 197,705)</u></b>	<b><u>33,372</u></b>	<b><u>( 350,852)</u></b>	<b><u>185,164</u></b>	<b><u>( 548,557)</u></b>	<b><u>218,536</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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><b>6-30-18</b></u>	<u><b>6-30-17</b></u>
Occupational Licenses and Tax	67%	69%
Insurance Premiums Tax	12%	13%
Operating Grants and Contributions	6%	5%
Property Taxes	6%	6%
Charges for Services	3%	4%
Capital Grants and Contributions	4%	0%
Other Revenues	<u>2%</u>	<u>3%</u>
<b>Governmental Revenues</b>	<u><b>100%</b></u>	<u><b>100%</b></u>

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

	<u><b>6-30-18</b></u>	<u><b>6-30-17</b></u>
Police	45%	43%
Administration	21%	19%
Parks and Recreation	22%	26%
Fire	2%	2%
Interest on Long-Term Debt	2%	3%
E911	6%	6%
Streets	<u>2%</u>	<u>1%</u>
<b>Governmental Expenses</b>	<u><b>100%</b></u>	<u><b>100%</b></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 \$1,371,406 as compared to costs of \$1,644,507.
- Sewer Fund revenues were \$197,420 as compared to costs of \$303,560.
- Natural Gas Fund revenues were \$1,098,999 as compared to costs of \$1,071,114.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 \$25,592, which includes a decrease of \$126,569 from operations and an increase of \$100,977 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 \$1,187,786. Of this year-end total, approximately \$1,099,698 is unassigned, indicating availability for continuing City service requirements. Restricted fund balances include \$88,088 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 \$54,896.

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 \$29,304.

**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 decreased by \$350,852, which includes net operating loss of \$246,177 and net expenses from non-operating activities of \$104,675.

**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 \$267,304. The water fund had net loss of \$188,015 from operations and \$79,289 of net expenses from non-operating activities. The water fund reports a net position amount of \$6,026,795, of which \$841,102 is restricted for debt service.

The sewer fund reported a decrease in net position of \$112,449. The sewer fund had a net loss of \$90,099 from operations and \$22,350 net expenses from non-operating activities. The sewer fund reports a net position amount of \$3,083,155, of which \$85,079 is restricted for debt service.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**Major Proprietary Funds - Concluded**

The natural gas fund reported an increase in net position of \$28,901. The natural gas fund had net income of \$31,397 from operations and \$3,036 net expenses from non-operating activities. The natural gas fund reports a net position amount of \$2,242,388, 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 \$51,174: revenues were more than budget by \$99,850, expenditures were more than budget by \$210,345, and other financing sources were more by \$59,321.

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.

<b>CAPITAL ASSETS</b>	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	1,728,689	124,967	1,853,656
Land Improvements	7,700	-	7,700
Buildings and Improvements	1,355,868	19,517,151	20,873,019
Equipment and Furnishings	331,718	649,587	981,305
Vehicles	736,849	229,312	966,161
Streets and Sidewalks	287,979	-	287,979
Municipal Park	998,760	-	998,760
	<u>5,447,563</u>	<u>20,521,017</u>	<u>25,968,580</u>
Accumulated Depreciation	(2,408,875)	( 9,180,539)	(11,589,414)
<b>TOTAL</b>	<u><b>3,038,688</b></u>	<u><b>11,340,478</b></u>	<u><b>14,379,166</b></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION - CONCLUDED**

LONG-TERM DEBT	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b>Capital Leases</b>			
General Obligation			
Municipal Park	510,586	-	510,586
Special Obligation	58,841	-	58,841
KADD - City Hall	140,000	-	140,000
<b>Total Capital Leases</b>	<b>709,427</b>	<b>0</b>	<b>709,427</b>
<b>Loans</b>			
KY Infrastructure Authority	-	109,823	109,823
Kentucky League of Cities	-	41,250	41,250
<b>Total Loans</b>	<b>0</b>	<b>151,073</b>	<b>151,073</b>
<b>Bonds</b>			
Revenue Bonds			
1980 Issue	-	10,000	10,000
1982 Issue Ser A	-	27,000	27,000
1984 Issue	-	218,943	218,943
1990 Issue	-	206,000	206,000
1993 Issue	-	203,000	203,000
1995 Issue	-	297,000	297,000
1996 Issue	-	143,400	143,400
2000 Issue	-	84,800	84,800
2002 Issue	-	653,000	653,000
2013 Issue	-	557,700	557,700
<b>Total Bonds</b>	<b>0</b>	<b>2,400,843</b>	<b>2,400,843</b>

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

**NET PENSION LIABILITY**

At June 30, 2018, 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 \$2,547,224. This amount was allocated proportionately between the governmental activities and the business-type activities.

**NET OPEB LIABILITY**

At June 30, 2018, per GASB No. 75, the City of Edmonton reported a liability for its proportionate share of the net OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability was \$902,191. 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, 2018**

## **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.

The industrial base that is located here is still outstanding with the diversified industries we have here in Edmonton and Metcalfe County. The industries are still working on job retention and job growth. Workforce development is still a problem in getting individuals wanting to work and being trained for the job. Our unemployment rate is 4.3%. House Bill 114, which is the TVA funding bill, will be a tremendous boost to the Edmonton-Metcalfe County Industrial Development Authority by providing much needed financial support.

The growth of small retail businesses is still a concern for the City. We have had a few new ones to open, but we need more. These small businesses are what drive the employment of local economy. We need individuals to invest in these and in turn, we as a community need to support the local businesses. I urge the local Chamber of Commerce to focus on programs and assistance to the retail community.

The same concerns that the City has had over the past years are still there for this year: the CERS pension contribution requirements and pension spiking regulations; the purposed health insurance premiums are increasing again 9.50%; cost of materials and supplies; and the workers' compensation insurance premium has increased 75% this year.

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

- The City Hall administrative offices are requesting funds for general maintenance such as painting and new flooring for the offices, updating our phone system, and improving the technology we offer to the public, which includes our website.
- Parks and Recreation Department requests funds to fix a drainage issue on the baseball field. I have met with Principal Kelly Bell about cost sharing on this project, by which the school will fix the drainage problem they have on their softball field at the same time. The City will be able to use City equipment for some of the work. Another project I would like to see at Edmonton Memorial Park would be a Wall of Service dedicated to the men and women of this county who have served in the different branches of the Armed Forces.
- I have included funding to start preliminary work such as getting new cost estimates and architect design on a facility for year-round use. This will become a high priority since we have a little over 5 years left on the Edmonton Memorial Park debt. I have also included funding for a mobile ice cream truck for the park use, not only during park activities but also to be used throughout the City during the summer months.
- The Police Department is requesting funds for radar units for each vehicle, tasers with holsters, boots for inclement weather, and traffic radar. The BRADD office is working on grant applications for most of this equipment and the City will budget matching funds, if required.
- The Public Works Department requests funding for a new gas vehicle for the Gas Department to replace the diesel vehicle we have now, another vehicle for the Street Department to replace the 2002 Ford that Edmonton State Bank donated to the City in 2004 for trash pick up, gas fusing machine, line locator, new billing system, storage facility, and continuing the replacement of water and gas meters throughout our service area.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**THE OUTLOOK FOR NEXT YEAR - CONCLUDED**

- The new water project to help with the Kentucky Division of Water regulations on disinfectant by products has been sent to Kentucky Infrastructure Authority for pre-application. Hopefully, the City will be approved and this project will be moved up on their priority list to obtain the necessary funding through KIA, and other funding sources. This project will be the most costly project ever funded by the City. In anticipation of this project, the City has already purchased the property needed for the 2 new water tanks. After this project is approved, the City will need to start serious discussion on a new wastewater treatment plant for our future needs.
- We are still waiting on the report from American Engineers concerning the status of Dunham Lake Dam. This project could be a major expense for the City, so we will need to be prepared for what action the City wants to take.
- With the Fire Department being a Chapter 95 department, the State aid funds will now come through the City budget and all bills now will be paid through the City account.
- The Edmonton By-Pass, which is still very important to our City, is still on the State road plan. The Kentucky Department of Transportation needs to move this project forward, because development always follows roads, and we need this project now.
- Our outdoor warning system grant is still active and hopefully, we will be approved to update our system through this grant.
- The establishment of the Code Compliance Board Ordinance will consist of a new expenditure for our City. This will be monitored during this fiscal year to see if it is doing the job that it was set up to do.
- We will continue to expand the Christmas Displays project at Edmonton Memorial Park. This has received positive feedback. The high school Ag and Art departments will continue to help on building and painting some of the displays.
- 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 the Historical Society. A new request from United Way of Southern Kentucky on the 2-1-1 calling project is included this year.
- As to employee compensation, I want to remind the Council that the City is still paying the full single health insurance premium, a small life policy, CERS pension, vacation and personal days, and they get their water at the base rate. I have included a three percent raise for all full-time employees.

2018 is the 200<sup>th</sup> birthday of the first lots being sold in Edmonton. As we look back on our history and plan for the future, we will be celebrating on September 7, 8 and 9, with numerous activities for the entire family to enjoy. If Edmonton's founder Edmund Rogers and our forefathers could see Edmonton now, what would they think about our City? I believe they would be proud of what Edmonton has become. The quality of life that is here including housing, schools, recreation, religious opportunities, and employment opportunities are something that we can be proud of. We have the responsibility as Edmonton's elected officials to see that our future generations are told about our heritage and they become involved for the future of this community. I would ask each Council member to put something in the time capsule that will be put together for this celebration so that, when it is opened fifty years from now, somebody will know you were involved and served this City and made it the place it is now.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**ADDITIONAL INFORMATION**

This financial report is designed to provide a general overview of the City of Edmonton's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dawn Devore, City Clerk/Treasurer, 207 East Street, Edmonton, Kentucky 42129.



**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

ASSETS	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>CURRENT ASSETS</b>				
Cash on Hand and in Banks	572,246	3,164,439	3,736,685	5,202
Investments	-	390,806	390,806	-
Receivables, Net of Allowance for Uncollectible Accounts				
Property Taxes	3,080	-	3,080	-
Net Profits Tax	175,088	-	175,088	-
Trade Accounts	-	190,445	190,445	-
Internal Receivable	500,310	439,674	939,984	-
Due from Other Governments				
State of Kentucky	3,761	-	3,761	-
Metcalf County Fiscal Court	-	109,823	109,823	-
Edmonton-Metcalf E-911	3,000	-	3,000	-
Metcalf County Board of Education	20,000	-	20,000	-
<b>Total Current Assets</b>	<b>1,277,485</b>	<b>4,295,187</b>	<b>5,572,672</b>	<b>5,202</b>
<b>RESTRICTED ASSETS</b>				
Cash and Savings				
Sinking Funds	-	228,671	228,671	-
Funded Depreciation	-	427,163	427,163	-
Other Cash	-	270,347	270,347	-
<b>Total Restricted Assets</b>	<b>0</b>	<b>926,181</b>	<b>926,181</b>	<b>0</b>
<b>NON-CURRENT ASSETS</b>				
Capital Assets				
Land	1,728,689	124,967	1,853,656	187,097
Construction in Progress				
Industrial Dev Spec Bldg	-	-	-	1,113,124
Other Capital Assets, Net of Accumulated Depreciation	1,309,999	11,215,511	12,525,510	1,752,613
Deposits	-	85	85	-
<b>Total Non-Current Assets</b>	<b>3,038,688</b>	<b>11,340,563</b>	<b>14,379,251</b>	<b>3,052,834</b>
<b>TOTAL ASSETS</b>	<b>4,316,173</b>	<b>16,561,931</b>	<b>20,878,104</b>	<b>3,058,036</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	522,906	362,856	885,762	-
Deferred OPEB Charges	198,223	106,016	304,239	-
<b>Total Deferred Outflows of Resources</b>	<b>721,129</b>	<b>468,872</b>	<b>1,190,001</b>	<b>0</b>

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

LIABILITIES	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>CURRENT LIABILITIES</b>				
Accounts Payable	33,303	100,424	133,727	-
Payroll Withholdings	30,634	-	30,634	-
Accrued Expenses				
School Tax	-	6,019	6,019	-
Sales Tax	-	3,256	3,256	-
Vacation Accrual	25,762	31,316	57,078	-
Meter Deposits	-	416,174	416,174	-
Current Portion of				
Loans Payable	-	59,642	59,642	754,223
Leases Payable	117,309	-	117,309	-
Internal Payable	-	939,984	939,984	-
<b>Total Current Liabilities</b>	<b>207,008</b>	<b>1,556,815</b>	<b>1,763,823</b>	<b>754,223</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Accrued Interest	-	37,294	37,294	-
Current Portion of Revenue Bonds	-	110,800	110,800	-
<b>Total Liabilities Payable From Restricted Assets</b>	<b>0</b>	<b>148,094</b>	<b>148,094</b>	<b>0</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Portion of Financing				
Revenue Bonds	-	2,290,043	2,290,043	-
Loans Payable				
KIA	-	91,431	91,431	-
Edmonton State Bank	-	-	-	100,774
Leases Payable				
General Obligation				
Municipal Park	427,816	-	427,816	-
Special Obligation	49,302	-	49,302	-
KADD - City Hall	115,000	-	115,000	-
Net Pension Liability	1,488,015	1,059,209	2,547,224	-
Net OPEB Liability	519,194	382,997	902,191	-
<b>Total Non-Current Liabilities</b>	<b>2,599,327</b>	<b>3,823,680</b>	<b>6,423,007</b>	<b>100,774</b>
<b>TOTAL LIABILITIES</b>	<b>2,806,335</b>	<b>5,528,589</b>	<b>8,334,924</b>	<b>854,997</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	122,150	129,823	251,973	-
Deferred OPEB Credits	32,192	20,053	52,245	-
<b>Total Deferred Inflows of Resources</b>	<b>154,342</b>	<b>149,876</b>	<b>304,218</b>	<b>0</b>

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

<b>NET POSITION</b>	<b>PRIMARY GOVERNMENT</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
Invested in Capital Assets, Net of Related Debt	2,329,261	8,898,385	11,227,646	2,197,837
Restricted for				
Debt Service	-	655,834	655,834	-
Other	-	270,347	270,347	-
Special Revenue Funds	88,088	-	88,088	-
Public Services	5,596	-	5,596	-
Public Safety	4,060	-	4,060	-
Parks and Recreation	93,350	-	93,350	-
Unrestricted	( 443,730)	1,527,772	1,084,042	5,202
<b>TOTAL NET POSITION</b>	<b><u>2,076,625</u></b>	<b><u>11,352,338</u></b>	<b><u>13,428,963</u></b>	<b><u>2,203,039</u></b>

See accompanying notes to financial statements.

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

		<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
	<b><u>Expenses</u></b>		
<b>FUNCTIONS/PROGRAMS</b>			
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
General Government	357,097	-	16,886
Public Safety			
Police	749,049	380	38,628
Fire	33,510	-	-
E911	93,026	-	-
Street Department	36,601	-	35,772
LGEA	-	-	714
Parks and Recreation	366,211	45,446	-
Interest on Long-Term Debt	37,327	-	-
<b>Total Governmental Activities</b>	<b><u>1,672,821</u></b>	<b><u>45,826</u></b>	<b><u>92,000</u></b>
<b>Business-type Activities</b>			
Water	1,644,507	1,371,406	-
Sewer	303,560	197,420	-
Natural Gas	1,071,114	1,098,999	-
<b>Total Business-type Activities</b>	<b><u>3,019,181</u></b>	<b><u>2,667,825</u></b>	<b><u>0</u></b>
<b>Total Primary Government</b>	<b><u>4,692,002</u></b>	<b><u>2,713,651</u></b>	<b><u>92,000</u></b>
<b>COMPONENT UNIT</b>			
Industrial Program	117,437	39,814	31,871
<b>Total Component Unit</b>	<b><u>117,437</u></b>	<b><u>39,814</u></b>	<b><u>31,871</u></b>

**Program Revenues**  
**Capital Grants**  
**and**  
**Contributions**

**Net (Expense) Revenue**

-	( 340,211)
50,000	( 660,041)
-	( 33,510)
-	( 93,026)
-	( 829)
-	714
12,350	( 308,415)
-	( 37,327)
<u>62,350</u>	<u>(1,472,645)</u>
-	( 273,101)
-	( 106,140)
-	27,885
<u>0</u>	<u>( 351,356)</u>
<u>62,350</u>	<u>(1,824,001)</u>
-	( 45,752)
<u>0</u>	<u>( 45,752)</u>

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

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	Total	
<b>CHANGES IN NET POSITION</b>				
<b>Net (Expense) Revenue</b>	<b>(1,472,645)</b>	<b>( 351,356)</b>	<b>( 1,824,001)</b>	<b>( 45,752)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
Property Taxes	89,201	-	89,201	-
Occupational Licenses and Tax	976,705	-	976,705	-
Insurance Premiums Tax	166,621	-	166,621	-
Alcohol Licenses and Fees	3,680	-	3,680	-
Franchise Fees	10,753	-	10,753	-
Investment Income	3,246	24,685	27,931	75
Sale of Surplus Property	( 1,097)	-	( 1,097)	-
Miscellaneous	1,650	-	1,650	-
<b>Transfers</b>	<b>24,181</b>	<b>( 24,181)</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues     and Transfers</b>	<b><u>1,274,940</u></b>	<b><u>504</u></b>	<b><u>1,275,444</u></b>	<b><u>75</u></b>
<b>CHANGES IN NET POSITION</b>	<b>( 197,705)</b>	<b>( 350,852)</b>	<b>( 548,557)</b>	<b>( 45,677)</b>
<b>NET POSITION-BEGINNING -     RESTATED</b>	<b><u>2,274,330</u></b>	<b><u>11,703,190</u></b>	<b><u>13,977,520</u></b>	<b><u>2,248,716</u></b>
<b>NET POSITION - ENDING</b>	<b><u>2,076,625</u></b>	<b><u>11,352,338</u></b>	<b><u>13,428,963</u></b>	<b><u>2,203,039</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash on Hand and in Banks	487,919	84,327	572,246
Receivables, Net of Allowance for Uncollectible Accounts			
Property Taxes	3,080	-	3,080
Net Profits Taxes	175,088	-	175,088
Due from Other Funds	500,310	-	500,310
Due from Other Governments	<u>23,000</u>	<u>3,761</u>	<u>26,761</u>
<b>TOTAL ASSETS</b>	<b><u>1,189,397</u></b>	<b><u>88,088</u></b>	<b><u>1,277,485</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	33,303	-	33,303
Payroll Withholdings	30,634	-	30,634
Accrued Expenses - Vacation	<u>25,762</u>	<u>-</u>	<u>25,762</u>
<b>Total Liabilities</b>	<b><u>89,699</u></b>	<b><u>0</u></b>	<b><u>89,699</u></b>
<b>FUND BALANCES</b>			
Restricted	-	88,088	88,088
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,099,698</u>	<u>-</u>	<u>1,099,698</u>
<b>Total Fund Balances</b>	<b><u>1,099,698</u></b>	<b><u>88,088</u></b>	<b><u>1,187,786</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>1,189,397</u></b>	<b><u>88,088</u></b>	<b><u>1,277,485</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

<b>Total Fund Balances – Total Governmental Funds</b>	<b>1,187,786</b>
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Amounts reported for **governmental activities** in the statement of net position are different because:

Capital assets of \$5,447,563, net of accumulated depreciation of (\$2,408,875), are not current financial resources and, therefore, are not reported in the funds. See Note 3 for additional details.	3,038,688
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Long-term liabilities of (\$709,427) are not due and payable in the current period and are not reported in the funds. See Note 3 for additional details.	( 709,427)
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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.	(1,059,674)
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The City of Edmonton's share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the County Employees Retirement System OPEB insurance plan are not recorded in the governmental funds, but are recorded in the Statement of Net Position.	( <u>380,748</u> )
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<b>Net Position of Governmental Activities</b>	<b><u>2,076,625</u></b>
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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, 2018**

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	89,201	-	89,201
Occupational Licenses and Tax	976,705	-	976,705
Insurance Premiums Tax	166,621	-	166,621
Alcohol Licenses and Fees	3,680	-	3,680
Franchise Fees	10,753	-	10,753
Intergovernmental Revenue	50,314	31,986	82,300
Penalties and Fines	380	-	380
Parks and Recreation	45,446	-	45,446
Other	1,650	-	1,650
<b>Total Revenues</b>	<b><u>1,344,750</u></b>	<b><u>31,986</u></b>	<b><u>1,376,736</u></b>
<b>EXPENDITURES</b>			
Current			
General Government	279,800	-	279,800
Public Safety			
Police	513,464	-	513,464
Fire	33,510	-	33,510
E911	93,026	-	93,026
Street Department	14,759	2,775	17,534
Parks and Recreation	272,730	-	272,730
Capital Outlay			
General Government	13,112	-	13,112
Police	102,771	-	102,771
Park	27,196	-	27,196
Debt Service			
Principal	112,835	-	112,835
Interest	32,412	-	32,412
Agent Fees	4,915	-	4,915
<b>Total Expenditures</b>	<b><u>1,500,530</u></b>	<b><u>2,775</u></b>	<b><u>1,503,305</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>( 155,780)</u></b>	<b><u>29,211</u></b>	<b><u>( 126,569)</u></b>
<b>OTHER FINANCING SOURCES</b>			
Interest Income	3,153	93	3,246
Surplus Property Sales	1,500	-	1,500
Grant Proceeds	72,050	-	72,050
Transfer In	24,181	-	24,181
<b>Total Other Financing Sources</b>	<b><u>100,884</u></b>	<b><u>93</u></b>	<b><u>100,977</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b><u>( 54,896)</u></b>	<b><u>29,304</u></b>	<b><u>( 25,592)</u></b>
<b>FUND BALANCES - BEGINNING</b>	<b><u>1,154,594</u></b>	<b><u>58,784</u></b>	<b><u>1,213,378</u></b>
<b>FUND BALANCES - ENDING</b>	<b><u>1,099,698</u></b>	<b><u>88,088</u></b>	<b><u>1,187,786</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**JUNE 30, 2018**

**Net Changes in Fund Balances – Total Governmental Funds** ( 25,592)

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 (\$181,445) exceeded capital outlays of \$143,079 in the current period. See Note 3 for additional details. ( 38,366)

The governmental fund reports total proceeds from the sale of fixed assets as an other financing source in the amount of \$1,500, whereas the Statement of Activities reports the loss from the sale of assets in the amount of (\$1,097). This is the cost of assets sold during the period. ( 2,597)

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 \$112,835. See Note 3 for additional details. 112,835

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. (198,019)

Changes in the City of Edmonton's share of net OPEB 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. ( 45,966)

**Change in Net Position of Governmental Activities** **(197,705)**

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2018**

<b>ASSETS</b>	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash on Hand and in Banks	1,791,701	242,940	1,129,798	3,164,439
Investments	-	-	390,806	390,806
Receivables, Net of Allowance for Uncollectible Accounts				
Trade Accounts	134,679	18,443	37,323	190,445
Due from Other Governments	109,823	-	-	109,823
Internal Receivable	312,286	-	127,388	439,674
<b>Total Current Assets</b>	<b>2,348,489</b>	<b>261,383</b>	<b>1,685,315</b>	<b>4,295,187</b>
<b>RESTRICTED ASSETS</b>				
Cash and Savings				
Sinking Funds	157,097	71,574	-	228,671
Funded Depreciation	413,658	13,505	-	427,163
Other Cash	270,347	-	-	270,347
<b>Total Restricted Assets</b>	<b>841,102</b>	<b>85,079</b>	<b>0</b>	<b>926,181</b>
<b>NON-CURRENT ASSETS</b>				
Capital Assets				
Land	123,467	1,500	-	124,967
Other Capital Assets, Net of Accumulated Depreciation	6,069,259	3,779,634	1,366,618	11,215,511
Deposits	85	-	-	85
<b>Total Non-Current Assets</b>	<b>6,192,811</b>	<b>3,781,134</b>	<b>1,366,618</b>	<b>11,340,563</b>
<b>TOTAL ASSETS</b>	<b>9,382,402</b>	<b>4,127,596</b>	<b>3,051,933</b>	<b>16,561,931</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	177,868	26,984	158,004	362,856
Deferred OPEB Charges	51,479	8,812	45,725	106,016
<b>Total Deferred Outflows of Resources</b>	<b>229,347</b>	<b>35,796</b>	<b>203,729</b>	<b>468,872</b>

LIABILITIES AND NET POSITION	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
<b>CURRENT LIABILITIES</b>				
Accounts Payable	61,256	3,689	35,479	100,424
Accrued Expenses				
School Tax	3,595	-	2,424	6,019
Sales Tax	572	269	2,415	3,256
Vacation Accrual	14,940	-	16,376	31,316
Meter Deposits	262,399	-	153,775	416,174
Current Portion of Loans Payable	18,392	-	41,250	59,642
Internal Payable	573,705	315,506	50,773	939,984
<b>Total Current Liabilities</b>	<b>934,859</b>	<b>319,464</b>	<b>302,492</b>	<b>1,556,815</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Accrued Interest	35,183	2,111	-	37,294
Current Portion of Revenue Bonds	95,300	15,500	-	110,800
<b>Total Liabilities Payable From Restricted Assets</b>	<b>130,483</b>	<b>17,611</b>	<b>0</b>	<b>148,094</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Portion of Financing Revenue Bonds Payable	1,663,043	627,000	-	2,290,043
Loans Payable				
KIA	91,431	-	-	91,431
Net Pension Liability	503,926	76,520	478,763	1,059,209
Net OPEB Liability	187,744	28,496	166,757	382,997
<b>Total Non-Current Liabilities</b>	<b>2,446,144</b>	<b>732,016</b>	<b>645,520</b>	<b>3,823,680</b>
<b>TOTAL LIABILITIES</b>	<b>3,511,486</b>	<b>1,069,091</b>	<b>948,012</b>	<b>5,528,589</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	63,638	9,654	56,531	129,823
Deferred OPEB Credits	9,830	1,492	8,731	20,053
<b>Total Deferred Inflows of Resources</b>	<b>73,468</b>	<b>11,146</b>	<b>65,262</b>	<b>149,876</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	4,434,383	3,138,634	1,325,368	8,898,385
Restricted for				
Debt Service	570,755	85,079	-	655,834
Other	270,347	-	-	270,347
Unrestricted (Deficit)	751,310	( 140,558)	917,020	1,527,772
<b>TOTAL NET POSITION</b>	<b>6,026,795</b>	<b>3,083,155</b>	<b>2,242,388</b>	<b>11,352,338</b>

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, 2018**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for Services	1,322,234	193,632	1,076,620	2,592,486
Miscellaneous	<u>49,172</u>	<u>3,788</u>	<u>22,379</u>	<u>75,339</u>
<b>Total Operating Revenues</b>	<b><u>1,371,406</u></b>	<b><u>197,420</u></b>	<b><u>1,098,999</u></b>	<b><u>2,667,825</u></b>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	241,966	33,998	201,406	477,370
Gas Purchased	-	-	532,760	532,760
Water Purchased	521,410	-	-	521,410
Utilities and Telephone	50,874	57,700	6,494	115,068
Materials and Supplies	156,469	36,857	24,448	217,774
Auto Expense	20,486	794	18,917	40,197
Insurance	87,300	15,349	93,038	195,687
Postage and Freight	10,115	-	9,621	19,736
Depreciation	277,966	101,345	54,104	433,415
Legal and Accounting	9,264	2,850	8,571	20,685
Payroll Taxes and Retirement	115,831	15,972	95,440	227,243
Miscellaneous Expenses	61,344	20,761	16,908	99,013
Bad Debt Expense	<u>6,396</u>	<u>1,893</u>	<u>5,355</u>	<u>13,644</u>
<b>Total Operating Expenses</b>	<b><u>1,559,421</u></b>	<b><u>287,519</u></b>	<b><u>1,067,062</u></b>	<b><u>2,914,002</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b>( 188,015)</b>	<b>( 90,099)</b>	<b>31,937</b>	<b>( 246,177)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	13,836	1,762	9,087	24,685
Bond Interest	( 85,086)	( 16,041)	-	( 101,127)
Loan Interest	-	-	( 3,325)	( 3,325)
Loan Fees	-	-	( 727)	( 727)
Transfers In (Out)	<u>( 8,039)</u>	<u>( 8,071)</u>	<u>( 8,071)</u>	<u>( 24,181)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>( 79,289)</u></b>	<b><u>( 22,350)</u></b>	<b><u>( 3,036)</u></b>	<b><u>( 104,675)</u></b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>( 267,304)</b>	<b>( 112,449)</b>	<b>28,901</b>	<b>( 350,852)</b>
<b>NET POSITION - BEGINNING - RESTATED</b>	<b><u>6,294,099</u></b>	<b><u>3,195,604</u></b>	<b><u>2,213,487</u></b>	<b><u>11,703,190</u></b>
<b>NET POSITION - ENDING</b>	<b><u>6,026,795</u></b>	<b><u>3,083,155</u></b>	<b><u>2,242,388</u></b>	<b><u>11,352,338</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	1,325,275	194,956	1,089,826	2,610,057
Cash Payments to Suppliers for Goods and Services	( 864,741)	(129,572)	( 634,148)	(1,628,461)
Cash Payments to Employees for Services	( 359,953)	( 49,459)	( 296,358)	( 705,770)
Other Operating Revenues	<u>49,172</u>	<u>3,788</u>	<u>22,379</u>	<u>75,339</u>
<b>Net Cash Provided by Operating Activities</b>	<u><b>149,753</b></u>	<u><b>19,713</b></u>	<u><b>181,699</b></u>	<u><b>351,165</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	( 69,780)	-	-	( 69,780)
Payments on Revenue Bonds	( 91,000)	( 14,900)	-	( 105,900)
Kentucky League of Cities	-	-	( 70,000)	( 70,000)
Interest Paid on Revenue Bonds and Notes Payable	( 86,843)	( 16,041)	( 4,052)	( 106,936)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u><b>( 247,623)</b></u>	<u><b>( 30,941)</b></u>	<u><b>( 74,052)</b></u>	<u><b>( 352,616)</b></u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfer to (from) other funds	( 8,039)	( 8,071)	( 8,071)	( 24,181)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Income	<u>13,836</u>	<u>1,762</u>	<u>9,087</u>	<u>24,685</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>( 92,073)</b>	<b>( 17,537)</b>	<b>108,663</b>	<b>( 947)</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>1,883,774</u>	<u>260,477</u>	<u>1,021,135</u>	<u>3,165,386</u>
<b>CASH - END OF YEAR</b>	<u><b>1,791,701</b></u>	<u><b>242,940</b></u>	<u><b>1,129,798</b></u>	<u><b>3,164,439</b></u>

	Enterprise Funds			
	Water	Sewer	Natural Gas	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	(188,015)	( 90,099)	31,937	(246,177)
Adjustments for Items not Providing or Using Cash				
Depreciation	277,966	101,345	54,104	433,415
(Increase) Decrease in				
Receivables, Net of Allowance				
Trade Accounts	3,042	1,323	13,204	17,569
Restricted Assets - Cash and Savings				
Sinking Funds	( 5,980)	( 3,295)	-	( 9,275)
Funded Depreciation Funds	( 17,745)	( 2,820)	-	( 20,565)
Other Cash	( 2,278)	-	( 3,624)	( 5,902)
Pension Deferred Outflows	( 55,787)	( 8,829)	( 53,339)	(117,955)
OPEB Deferred Outflows	( 40,852)	( 7,200)	( 36,285)	( 84,337)
Increase (Decrease) in				
Accounts Payable	( 1,677)	3,552	19,687	21,562
Accrued Expenses				
School Tax	47	-	1,043	1,090
Sales Tax	( 7)	21	866	880
Vacation Accrual	2,156	( 511)	( 488)	1,157
Meter Deposits	4,288	-	2,958	7,246
Due to Other Funds	23,585	3,220	19,607	46,412
Net Pension Liability	63,693	9,667	56,573	129,933
Net OPEB Liability	40,483	6,145	35,958	82,586
Pension Deferred Inflows	37,004	5,702	30,767	73,473
OPEB Deferred Inflows	9,830	1,492	8,731	20,053
<b>Net Cash Provided by Operating Activities</b>	<b><u>149,753</u></b>	<b><u>19,713</u></b>	<b><u>181,699</u></b>	<b><u>351,165</u></b>

See accompanying notes to financial statements.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Edmonton have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component units, which are entities for which the City is financially accountable. The more significant of the Government's accounting policies are described below.

**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 following entity has been included as a discretely presented component unit in the City's financial statements:

***Edmonton-Metcalfe Industrial Development Authority*** - accounts for revenues and expenditures of industrial development activities. The separately issued financial statements for the Edmonton-Metcalfe 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



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

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

**Government-wide Financial Statements - Concluded**

government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

**Fund Financial Statements**

Funds decreased 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 laws, regulations, and contractual agreements that establish 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.

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 statements with the current picture presented in the fund statements.

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 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.

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*

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

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

**Local Governments.** As part of the implementation of GASB Statement No. 34, the City is encouraged, but not required, to report major general infrastructure assets retroactively. Thus, the historical cost of infrastructure assets prior to July 1, 2003, is not included as part of the governmental capital assets reported in the government-wide financial statements.

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

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

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

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

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

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

**FUND TYPES AND MAJOR FUNDS - CONCLUDED**

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.

**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.

CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED**

**Long-Term Debt**

In the government-wide 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 and OPEB charges** in its statements of net position in connection with its participation in the County Employees Retirement System. These **deferred pension and OPEB charges** are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

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

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

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

**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, 2018.

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

***Committed*** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2018.

***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, 2018.

***Unassigned*** – This classification includes amounts that are available for any purpose. At June 30, 2018, 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.



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**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 \$87,644 at June 30, 2018.

**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.

**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.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

In government-wide financial statements, OPEBs are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expenditures on the modified accrual basis of accounting. The City recognizes a net OPEB liability for the OPEB insurance 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 OPEB liability during the period are recorded as OPEB expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB 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 OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified OPEB plan investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of OPEB 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, 2018. 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, 2018**

**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, 2018, City of Edmonton, Kentucky's (book) deposits were \$5,053,573, and the bank balance was \$5,378,238 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, 2018, the City had funds of \$4,628,238 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 \$15,160. 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, 2018**

**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, 2018**

**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**

Receivables are amounts due representing revenues earned or accrued in the current period.

**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, 2018, taxes were levied on November 1, 2017, and due and payable on February 28, 2018. A 2% discount is given if paid by January 31. A penalty of 10% is charged for the month of March and 10% each month thereafter until they are paid. The tax rates are set by ordinance each year and were .086 per \$100 of assessed valuation of real property and .087 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, 2018, the receivable for property taxes was \$3,080.

**Net Profits Tax** - The City accrued net profits tax receivable in the amount of \$175,088, which was collected within 60 days of the year-end.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**ASSETS - CONTINUED**

**RECEIVABLES - CONCLUDED**

**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.

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

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Total Enterprise Funds</b>
Accounts Receivable	232,887	37,672	104,458	375,017
Allowance for Uncollectibles	( 98,208)	(19,229)	( 67,135)	(184,572)
Accounts Receivable, Net	<u>134,679</u>	<u>18,443</u>	<u>37,323</u>	<u>190,445</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, 2018**

**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 and construction in progress, which are not depreciable assets. 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 6-30-17	Additions	Deletions	Balance 6-30-18
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Land	1,728,689	-	-	1,728,689
Land Improvements	7,700	-	-	7,700
Buildings and Improvements	1,335,868	20,000	-	1,355,868
Equipment and Furnishings	315,502	16,216	-	331,718
Vehicles	681,989	99,668	44,808	736,849
Streets and Sidewalks	287,979	-	-	287,979
Municipal Park	991,565	7,195	-	998,760
	<u>5,349,292</u>	<u>143,079</u>	<u>44,808</u>	<u>5,447,563</u>
Less Accumulated Depreciation	<u>2,269,641</u>	<u>181,445</u>	<u>42,211</u>	<u>2,408,875</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>3,079,651</u></b>	<b><u>( 38,366)</u></b>	<b><u>2,597</u></b>	<b><u>3,038,688</u></b>
<b>Business-type Activities</b>				
Land	99,863	25,104	-	124,967
Buildings and Improvements	19,472,475	44,676	-	19,517,151
Equipment	649,587	-	-	649,587
Vehicles	229,312	-	-	229,312
	<u>20,451,237</u>	<u>69,780</u>	<u>-</u>	<u>20,521,017</u>
Less Accumulated Depreciation	<u>8,747,122</u>	<u>433,417</u>	<u>-</u>	<u>9,180,539</u>
<b>Business-type Activities Capital Assets, Net</b>	<b><u>11,704,115</u></b>	<b><u>(363,637)</u></b>	<b><u>-</u></b>	<b><u>11,340,478</u></b>
<b>COMPONENT UNIT</b>				
<b>Industrial Development</b>				
Land	187,097	-	-	187,097
Construction in Progress - Spec Bldg	1,048,781	64,343	-	1,113,124
Buildings	755,413	-	-	755,413
Electrical Transmission Line	1,647,755	-	-	1,647,755
	<u>3,639,046</u>	<u>64,343</u>	<u>-</u>	<u>3,703,389</u>
Less Accumulated Depreciation	<u>594,295</u>	<u>56,260</u>	<u>-</u>	<u>650,555</u>
<b>Industrial Development Capital Assets, Net</b>	<b><u>3,044,751</u></b>	<b><u>8,083</u></b>	<b><u>-</u></b>	<b><u>3,052,834</u></b>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**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	57,920
Police	39,626
Streets	19,067
Parks and Recreation	<u>64,832</u>

**Total Depreciation Expense – Governmental Activities** **181,445**

**Business-type Activities**

Water	277,966
Sewer	101,345
Natural Gas	<u>54,104</u>

**Total Depreciation Expense – Business-type Activities** **433,415**

**TOTAL DEPRECIATION EXPENSE – PRIMARY GOVERNMENT** **614,860**

**COMPONENT UNIT**

Industrial Development	<u><b>56,260</b></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, 2018, was \$510,586.

**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, 2018, was \$58,841.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**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, 2018, was \$140,000.

**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, 2018, the balance of the note and interest was \$109,823.

**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 \$41,250 as of June 30, 2018. 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, 2018:

1980 Issue	10,000
1982 Issue - Series A	27,000
1984 Issue	218,943

**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 \$206,000 due as of June 30, 2018.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**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 \$203,000 due as of June 30, 2018.

**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 \$297,000 due as of June 30, 2018.

**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 \$143,400 due as of June 30, 2018.

**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 \$84,800 due as of June 30, 2018.

**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 \$653,000 due as of June 30, 2018.

**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 \$557,700 due as of June 30, 2018.

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



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**LIABILITIES - CONTINUED**

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

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 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.



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**LIABILITIES - CONTINUED**

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

**Second Lien Sinking Fund - Concluded**

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	212,143
Actual Transfers	<u>221,418</u>
Transfers Over (Under) Requirement	9,275
Beginning Balance – Sinking Funds	<u>219,396</u>
<b>Ending Balance – Sinking Funds</b>	<b><u>228,671</u></b>

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, 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	84,911	114,500	199,411
June 30, 2023	<u>79,782</u>	<u>119,900</u>	<u>199,682</u>
	<b><u>450,871</u></b>	<b><u>578,800</u></b>	<b><u>1,029,671</u></b>

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**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, 2018, the depreciation fund had a balance of \$427,163, 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, 2018**

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

**Investment and Miscellaneous Provisions**

All 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 (20<sup>th</sup>) day of each month, except that when the twentieth (20<sup>th</sup>) 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, 2018**

**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 \$882 and bears interest at 3.5% per annum. The balance at June 30, 2018, was \$107,703.

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, 2018. The draws on the loan for the year ended June 30, 2018 were \$18,640. On December 2, 2018, the loan was extended to March 2, 2019. As of June 30, 2018, the balance was \$747,294.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**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, 2018:

	<b>Balance 6-30-17</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance 6-30-18</b>	<b>Due Within One Year</b>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
<b>General Obligation Leases</b>					
Municipal Park	589,345	-	78,759	510,586	82,770
<b>Special Obligation Lease</b>					
Municipal Park	67,917	-	9,076	58,841	9,539
KADD - City Hall	<u>165,000</u>	<u>-</u>	<u>25,000</u>	<u>140,000</u>	<u>25,000</u>
<b>Total Governmental Activities</b>	<b><u>822,262</u></b>	<b><u>0</u></b>	<b><u>112,835</u></b>	<b><u>709,427</u></b>	<b><u>117,309</u></b>
<b>Business-type Activities</b>					
<b>Loans Payable</b>					
KY Infrastructure Authority	128,249	-	18,426	109,823	18,392
Kentucky League of Cities	<u>111,250</u>	<u>-</u>	<u>70,000</u>	<u>41,250</u>	<u>41,250</u>
	<b><u>239,499</u></b>	<b><u>0</u></b>	<b><u>88,426</u></b>	<b><u>151,073</u></b>	<b><u>59,642</u></b>
<b>Revenue Bonds Payable</b>					
1980 Issue	14,500	-	4,500	10,000	5,000
1982 Issue - Series A	35,000	-	8,000	27,000	8,500
1984 Issue	245,943	-	27,000	218,943	28,000
1990 Issue	217,000	-	11,000	206,000	12,000
1993 Issue	212,000	-	9,000	203,000	9,000
1995 Issue	308,000	-	11,000	297,000	11,000
1996 Issue	148,900	-	5,500	143,400	5,800
2000 Issue	87,200	-	2,400	84,800	2,500
2002 Issue	668,000	-	15,000	653,000	16,000
2013 Issue	<u>570,200</u>	<u>-</u>	<u>12,500</u>	<u>557,700</u>	<u>13,000</u>
	<b><u>2,506,743</u></b>	<b><u>0</u></b>	<b><u>105,900</u></b>	<b><u>2,400,843</u></b>	<b><u>110,800</u></b>
<b>Total Business-type Activities</b>	<b><u>2,746,242</u></b>	<b><u>0</u></b>	<b><u>194,326</u></b>	<b><u>2,551,916</u></b>	<b><u>170,442</u></b>
<b>COMPONENT UNIT</b>					
<b>Industrial Program</b>					
Edmonton State Bank	728,654	18,640	-	747,294	747,294
Edmonton State Bank	<u>116,536</u>	<u>-</u>	<u>8,833</u>	<u>107,703</u>	<u>6,929</u>
<b>Total Industrial Program</b>	<b><u>845,190</u></b>	<b><u>18,640</u></b>	<b><u>8,833</u></b>	<b><u>854,997</u></b>	<b><u>754,223</u></b>

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

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

**LIABILITIES - CONTINUED**

**DEBT SERVICE REQUIREMENTS**

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

<b>PRIMARY GOVERNMENT</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>Governmental Activities</b>			
<b>Capital Leases</b>			
June 30, 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	142,604	5,903	148,507
June 30, 2024	58,413	698	59,111
	<b><u>709,427</u></b>	<b><u>86,193</u></b>	<b><u>795,620</u></b>
<b>Total Governmental Activities</b>	<b><u>709,427</u></b>	<b><u>86,193</u></b>	<b><u>795,620</u></b>
<b>Business-type Activities</b>			
<b>Loans Payable</b>			
June 30, 2019	58,671	2,196	60,867
June 30, 2020	17,552	805	18,357
June 30, 2021	17,684	638	18,322
June 30, 2022	17,817	469	18,286
June 30, 2023	17,951	300	18,251
June 30, 2024	18,086	129	18,215
	<b><u>147,761</u></b>	<b><u>4,537</u></b>	<b><u>152,298</u></b>
<b>Revenue Bonds Payable</b>			
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	119,900	79,782	199,682
June 30, 2024 - 2028	524,443	322,330	846,773
June 30, 2029 - 2033	535,000	209,168	744,168
June 30, 2034 - 2038	357,200	110,927	468,127
June 30, 2039 - 2043	268,700	50,716	319,416
June 30, 2044 - 2048	115,000	20,929	135,929
June 30, 2049	21,700	2,698	24,398
	<b><u>2,400,843</u></b>	<b><u>1,167,639</u></b>	<b><u>3,568,482</u></b>
<b>Total Business-type Activities</b>	<b><u>2,548,604</u></b>	<b><u>1,172,176</u></b>	<b><u>3,720,780</u></b>



**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

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

**LIABILITIES - CONCLUDED**

**DEBT SERVICE REQUIREMENTS - CONCLUDED**

<b>COMPONENT UNIT</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>Industrial Program</b>			
June 30, 2019	754,223	23,275	777,498
June 30, 2020	7,175	3,413	10,588
June 30, 2021	7,430	3,158	10,588
June 30, 2022	7,694	2,893	10,587
June 30, 2023	7,968	2,620	10,588
June 30, 2024 - 2028	44,300	8,640	52,940
June 30, 2029	<u>26,207</u>	<u>1,245</u>	<u>27,452</u>
<b>Total Component Unit</b>	<b><u>854,997</u></b>	<b><u>45,244</u></b>	<b><u>900,241</u></b>

**RISK MANAGEMENT**

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

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

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

**RECEIVABLES AND PAYABLES**

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

Activities in which the component unit is a party are captioned as "receivables/payables" between the component unit and the primary government. Internal receivable and payable balances at June 30, 2018, are listed on the following page.

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**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
<b>PRIMARY GOVERNMENT</b>		
<b>Governmental-type Activities</b>		
General Fund	500,310	-
<b>Business-type Activities</b>		
Water	312,286	573,705
Natural Gas	127,388	50,773
Sewer	-	315,506
	<u><b>939,984</b></u>	<u><b>939,984</b></u>

**TRANSFERS AND PAYMENTS**

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

Transfers between funds were as follows:

	<u><b>GENERAL FUND</b></u>	<u><b>WATER FUND</b></u>	<u><b>SEWER FUND</b></u>	<u><b>NATURAL GAS FUND</b></u>
Transfers to (from)	<u><b>24,181</b></u>	<u><b>(8,039)</b></u>	<u><b>(8,071)</b></u>	<u><b>(8,071)</b></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 cost-sharing 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 plan provides a retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by state statute. Benefits are based on a factor of numbers of year's service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.



**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**4. RETIREMENT PLAN - CONTINUED**

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefits and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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](http://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.

For retirement purposes, employees are grouped into three tiers, based on hire date:

**Hazardous**

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years of service or 55 years old
	Reduced retirement	At least 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of service and 60 years old or at least 25 of service and any age
	Reduced retirement	At least 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 60 years old or 25 years of service
	Reduced retirement	Not available

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**4. RETIREMENT PLAN - CONTINUED**

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

**Pension Plan Description and Benefits - Concluded**

**Non-Hazardous**

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 55 years old or at least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Contributions - Required contributions by the employee are based on the tier:

	<b><u>Hazardous</u></b>	<b><u>Non-Hazardous</u></b>
Tier 1	8%	5%
Tier 2	8% + 1% for insurance	5% + 1% for insurance
Tier 3	8% + 1% for insurance	5% + 1% for insurance

**Pension Contributions**

The Board of Trustees of KRS determines the City's required pension contribution rate annually for hazardous and non-hazardous covered employees, 22.20% and 14.48%, respectively, for the year ended June 30, 2018.

The payroll for hazardous and non-hazardous employees covered by CERS for the year ended June 30, 2018, was \$215,478 and \$619,748, respectively; the City's total payroll was \$956,495. The contribution payments for the year ended June 30, 2018, were \$185,768, which consisted of \$137,542 from the City and \$48,226 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, 2018, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability was \$2,547,224. The net pension liability for the plan was measured as of June 30, 2017, and the

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**4. RETIREMENT PLAN - CONTINUED**

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

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2017, the City proportion was .046914% for hazardous and .025586% for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$470,273. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>HAZARDOUS</b>		<b>NON-HAZARDOUS</b>	
	<b><u>Deferred Outflows</u></b>	<b><u>Deferred Inflows</u></b>	<b><u>Deferred Outflows</u></b>	<b><u>Deferred Inflows</u></b>
Difference between expected and actual experience	38,498	-	1,858	38,016
Changes of assumptions	209,371	-	276,353	-
Net difference between projected and actual earnings on pension plan investments	68,845	59,673	118,610	100,086
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,856	17,933	831	36,265
Employer contributions subsequent to the measurement date	<u>47,835</u>	<u>-</u>	<u>89,705</u>	<u>-</u>
<b>Total</b>	<b><u>398,405</u></b>	<b><u>77,606</u></b>	<b><u>487,357</u></b>	<b><u>174,367</u></b>

The \$47,835 (Hazardous) and \$89,705 (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, 2019. 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**

	<b>Hazardous</b>	<b>Non-Hazardous</b>
June 30, 2019	107,582	97,211
June 30, 2020	129,342	99,998
June 30, 2021	47,493	43,305
June 30, 2022	( 11,453)	(19,230)

**Actuarial Methods and Assumptions - Total Pension Liability and Net Pension Liability**

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**4. RETIREMENT PLAN - CONTINUED**

**Actuarial Methods and Assumptions - Total Pension Liability and Net Pension Liability - Continued**

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%

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.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. 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 table on the following page.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**4. RETIREMENT PLAN - CONTINUED**

**Actuarial Methods and Assumptions - Total Pension Liability and Net Pension Liability - Concluded**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	<u>2.00%</u>	1.88%
<b>Total</b>	<b><u>100.00%</u></b>	<b>6.56%</b>

**Discount Rate - Pension**

The projection of cash flows used to determine the discount rate of 6.25% for CERS Hazardous and Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. 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 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
<b>Hazardous</b>		
1% Decrease	5.25%	1,319,678
Current Discount Rate	6.25%	1,049,597
1% Increase	7.25%	826,549
<b>Non-hazardous</b>		
1% Decrease	5.25%	1,888,832
Current Discount Rate	6.25%	1,497,627
1% Increase	7.25%	1,170,388

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**4. RETIREMENT PLAN - CONCLUDED**

**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.

**5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

**Medical Insurance Plan Description and Benefits**

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 to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amounts of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15 - 19 years	75.00%
10 - 14 years	50.00%
4 - 9 years	25.00%
Less than 4 years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service.

This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes.

**OPEB Contributions**

The Board of Trustees of KRS determines the City's required OPEB contribution rate annually, for hazardous and non-hazardous covered payroll, 9.35% and 4.70%, respectively for the year ended June 30, 2018. The contribution requirement for the year ended June 30, 2018, was \$51,705, which consisted of \$49,264 from the City and \$2,441 from employees.



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability for CERS. The amount recognized by the City as its proportionate share of the net OPEB liability was \$902,191. The net OPEB liability for the plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2017, the City's proportion was .046914% for hazardous and .025586% for non-hazardous.

For the year ended June 30, 2018, the City recognized OPEB expense of \$64,269. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>HAZARDOUS</u>		<u>NON-HAZARDOUS</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	-	904	-	1,429
Changes of assumptions	143,052	-	111,923	-
Net difference between projected and actual earning on plan investments	-	24,333	-	24,309
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	77	-	1,193
Employer contributions subsequent to the measurement date	<u>20,147</u>	<u>-</u>	<u>29,117</u>	<u>-</u>
<b>Total</b>	<b><u>163,199</u></b>	<b><u>25,314</u></b>	<b><u>141,040</u></b>	<b><u>26,931</u></b>

The \$20,147 (Hazardous) and \$29,117 (Non-Hazardous) reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

<b>Year ending</b>	<b>Hazardous</b>	<b>Non-Hazardous</b>
<b>June 30</b>		
2019	34,050	14,624
2020	34,050	14,624
2021	34,050	14,624
2022	15,588	14,624
2023	-	20,701
Thereafter	-	5,797

**Actuarial Methods and Assumptions - Total OPEB Liability and Net OPEB Liability**

The total OPEB liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED**

**Actuarial Methods and Assumptions - Total OPEB Liability and Net OPEB Liability - Continued**

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.05%, average, including inflation
Investment Rate of Return	6.25%
<b>Healthcare Trend Rates</b>	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

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.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. 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 table on the following page.



**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED**

**Actuarial Methods and Assumptions - Total OPEB Liability and Net OPEB Liability - Concluded**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
<b>Total</b>	<b><u>100.00%</u></b>	<b>6.56%</b>

**Discount Rate - OPEB**

The projection of cash flows used to determine the discount rates of 5.96% and 5.84% for CERS Hazardous and Non-hazardous, respectively, assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate**

The following tables present the net OPEB liability, calculated using the discount and healthcare cost trend rates selected by CERS as well as what the net OPEB liability would be if it were calculated using a discount rate or healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

**Table 1 - Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

	<u>Discount Rate</u>	<u>Proportionate Share of Net OPEB Liability</u>
<b>Hazardous</b>		
1% Decrease	4.96%	519,738
Current Discount Rate	5.96%	387,825
1% Increase	6.96%	279,898

**CITY OF EDMONTON, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2018**

**5. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN - CONCLUDED**

**Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate - Concluded**

**Table 1 - Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - Concluded**

<b>Non-Hazardous</b>		
1% Decrease	4.84%	654,502
Current Discount Rate	5.84%	514,366
1% Increase	6.84%	397,751

**Table 2 - Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

	<u>Healthcare Cost Trend Rate</u>	<u>Proportionate Share of Net OPEB Liability</u>
<b>Hazardous</b>		
1% Decrease	4.96%	274,535
Current Healthcare Cost Trend Rate	5.96%	387,825
1% Increase	6.96%	528,038
<b>Non-Hazardous</b>		
1% Decrease	4.84%	394,545
Current Healthcare Cost Trend Rate	5.84%	514,366
1% Increase	6.84%	670,126

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB 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.

The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information from CERS OPEB plan. This report is available at [www.kyret.ky.gov](http://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.

**6. PRIOR PERIOD ADJUSTMENTS**

Effective July 1, 2017, the City was required to adopt Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value,

**CITY OF EDMONTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - CONCLUDED**  
**JUNE 30, 2018**

**6. PRIOR PERIOD ADJUSTMENTS - CONCLUDED**

and attribute that present value to periods of employee service. Cost-sharing governmental employers such as the City are required to report a net OPEB liability, OPEB expense, and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The adoption of this Statement has resulted in the restatement of the City's net position as of July 1, 2017, to reflect the reporting of net OPEB liabilities and deferred outflows and inflows of resources for its Plan in accordance with the provisions of this Statement. The net position was decreased by approximately \$635,196, reflecting the cumulative effect of change in accounting principle related to the adoption of this Statement. The decrease in governmental activities was \$334,781 and the decrease in business-type activities was \$300,415. The OPEB liability, deferred inflows and outflows, and the OPEB expense for the prior year are not readily determinable from the actuarial information provided.

## **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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final</b>
			<b>GAAP Basis</b>	<b>Budget</b>
<b>REVENUES</b>				
Property Taxes	86,000	86,000	89,201	3,201
Occupational Licenses and Tax	890,000	890,000	976,705	86,705
Insurance Premiums Tax	164,000	164,000	166,621	2,621
Alcohol Licenses and Fees	3,900	3,900	3,680	( 220)
Franchise Fees	9,000	9,000	10,753	1,753
Intergovernmental Revenue	40,000	40,000	50,314	10,314
Penalties and Fines	-	-	380	380
Parks and Recreation	50,000	50,000	45,446	( 4,554)
Other	2,000	2,000	1,650	( 350)
<b>Total Revenues</b>	<b>1,244,900</b>	<b>1,244,900</b>	<b>1,344,750</b>	<b>99,850</b>
<b>EXPENDITURES</b>				
Current				
General Government	243,089	243,089	279,800	( 36,711)
Public Safety				
Police	450,100	450,100	513,464	( 63,364)
Fire	34,000	34,000	33,510	490
E911	77,000	77,000	93,026	( 16,026)
Street Department	-	-	14,759	( 14,759)
Parks and Recreation	279,320	279,320	272,730	6,590
Capital Outlay	61,426	61,426	143,079	( 81,653)
Debt Service				
Principal	112,836	112,836	112,835	1
Interest	32,414	32,414	32,412	2
Agent Fees	-	-	4,915	( 4,915)
<b>Total Expenditures</b>	<b>1,290,185</b>	<b>1,290,185</b>	<b>1,500,530</b>	<b>(210,345)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	<b>( 45,285)</b>	<b>( 45,285)</b>	<b>( 155,780)</b>	<b>(110,495)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest Income	5,000	5,000	3,153	( 1,847)
Surplus Property Sales	-	-	1,500	1,500
Grant Proceeds	12,350	12,350	72,050	59,700
Transfers In	24,213	24,213	24,181	( 32)
<b>Total Other Financing</b>	<b>41,563</b>	<b>41,563</b>	<b>100,884</b>	<b>59,321</b>
<b>Sources (Uses)</b>				
<b>NET CHANGE IN FUND BALANCE</b>	<b>( 3,722)</b>	<b>( 3,722)</b>	<b>( 54,896)</b>	<b>( 51,174)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,197,510</b>	<b>1,197,510</b>	<b>1,154,594</b>	<b>( 42,916)</b>
<b>FUND BALANCE - ENDING</b>	<b>1,193,788</b>	<b>1,193,788</b>	<b>1,099,698</b>	<b>( 94,090)</b>

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts GAAP Basis</b>	<b>With Final Budget</b>
<b>REVENUES</b>				
Intergovernmental Revenue	<u>32,268</u>	<u>32,268</u>	<u>31,986</u>	<u>( 282)</u>
<b>Total Revenues</b>	<u><b>32,268</b></u>	<u><b>32,268</b></u>	<u><b>31,986</b></u>	<u><b>( 282)</b></u>
<b>EXPENDITURES</b>				
Current				
Street Department	<u>68,956</u>	<u>68,956</u>	<u>2,775</u>	<u>66,181</u>
LGEA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u><b>68,956</b></u>	<u><b>68,956</b></u>	<u><b>2,775</b></u>	<u><b>66,181</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>(36,688)</b></u>	<u><b>(36,688)</b></u>	<u><b>29,211</b></u>	<u><b>65,899</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest Income	<u>-</u>	<u>-</u>	<u>93</u>	<u>93</u>
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>93</b></u>	<u><b>93</b></u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><b>(36,688)</b></u>	<u><b>(36,688)</b></u>	<u><b>29,304</b></u>	<u><b>65,992</b></u>
<b>FUND BALANCE - BEGINNING</b>	<u><b>36,688</b></u>	<u><b>36,688</b></u>	<u><b>58,784</b></u>	<u><b>22,096</b></u>
<b>FUND BALANCE - ENDING</b>	<u><u><b>0</b></u></u>	<u><u><b>0</b></u></u>	<u><u><b>88,088</b></u></u>	<u><u><b>88,088</b></u></u>

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY  
GASB 68 REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**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>	<u>2018</u>
City's proportion of the net pension liability				
Hazardous	.045761%	.04860%	.04513%	.046914%
Non-Hazardous	.027031%	.02719%	.02645%	.025586%
City's proportionate share of the net pension liability				
Hazardous	549,963	746,024	774,464	1,049,597
Non-Hazardous	876,980	1,169,014	1,302,298	1,497,627
City's covered payroll				
Hazardous	231,825	248,582	264,805	284,424
Non-Hazardous	619,970	634,681	630,967	622,968
City's proportionate share of the net pension liability as a percentage of its covered payroll				
Hazardous	237.23%	300.11%	292.47%	369.03%
Non-Hazardous	141.55%	184.19%	206.39%	240.40%
Plan fiduciary net position as a percentage of the total pension liability				
Hazardous	63.46%	57.52%	53.95%	49.80%
Non-Hazardous	66.80%	59.97%	55.50%	53.33%

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



**SCHEDULE OF CITY'S CONTRIBUTIONS  
County Employees' Retirement System**

	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>
Contractually required contribution				
Hazardous	85,289	87,253	88,342	47,835
Non-Hazardous	<u>112,092</u>	<u>107,643</u>	<u>116,370</u>	<u>89,705</u>
	<b>197,381</b>	<b>194,896</b>	<b>204,712</b>	<b>137,540</b>
Contributions in relation to the contractually required contribution	<u>(197,381)</u>	<u>(194,896)</u>	<u>(204,712)</u>	<u>(137,540)</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered payroll				
Hazardous	248,582	264,805	284,424	215,478
Non-Hazardous	634,681	630,967	622,968	619,748
Contribution as a percentage of covered payroll				
Hazardous	34.31%	32.95%	31.06%	22.20%
Non-Hazardous	17.67%	17.06%	18.68%	14.48%

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

***Schedules on the preceding 2 pages 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:*** Inflation Rate 3.25% to 2.30%  
Interest Rate 7.50% to 6.25%  
Payroll Growth Rate 4.00% to 2.00%

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY  
GASB 75 REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
County Employees' Retirement System**

	<b><u>2018</u></b>
City's proportion of the net OPEB liability	
Hazardous	.046914%
Non-Hazardous	.025586%
City's proportionate share of the net OPEB liability	
Hazardous	387,825
Non-Hazardous	514,366
City's covered payroll	
Hazardous	284,424
Non-Hazardous	622,968
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	
Hazardous	136.35%
Non-Hazardous	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	
Hazardous	59.00%
Non-Hazardous	52.40%

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

**SCHEDULE OF CITY'S CONTRIBUTIONS  
County Employees' Retirement System**

	<b><u>2018</u></b>
Contractually required contribution	
Hazardous	20,147
Non-Hazardous	<u>29,117</u>
	<b>49,264</b>
Contributions in relation to the contractually required contribution	( <u>49,264</u> )
Contribution deficiency	<u><u>-</u></u>
City's covered payroll	
Hazardous	215,478
Non-Hazardous	619,748
Contribution as a percentage of covered payroll	
Hazardous	9.35%
Non-Hazardous	4.70%

(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, 2018**

	<b>Municipal Road Aid</b>	<b>LGEA</b>	<b>Total</b>
<b>ASSETS</b>			
Cash in Banks	59,093	25,234	84,327
Due from Other Governments	<u>3,761</u>	<u>-</u>	<u>3,761</u>
<b>TOTAL ASSETS</b>	<b><u>62,854</u></b>	<b><u>25,234</u></b>	<b><u>88,088</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>	-	-	-
<b>FUND BALANCES - RESTRICTED</b>	<u>62,854</u>	<u>25,234</u>	<u>88,088</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>62,854</u></b>	<b><u>25,234</u></b>	<b><u>88,088</u></b>

See independent auditor's report.

**CITY OF EDMONTON, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Municipal Road Aid</b>	<b>LGEA</b>	<b>Total</b>
<b>REVENUES</b>			
Intergovernmental Revenue	<u>31,272</u>	<u>714</u>	<u>31,986</u>
<b>Total Revenues</b>	<u>31,272</u>	<u>714</u>	<u>31,986</u>
<b>EXPENDITURES</b>			
Streets	<u>2,775</u>	<u>-</u>	<u>2,775</u>
LGEA	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>2,775</u>	<u>0</u>	<u>2,775</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>28,497</u>	<u>714</u>	<u>29,211</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interest Income	<u>-</u>	<u>93</u>	<u>93</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financing Sources (Uses)</b>	<u>0</u>	<u>93</u>	<u>93</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>28,497</b>	<b>807</b>	<b>29,304</b>
<b>FUND BALANCES - BEGINNING</b>	<u>34,357</u>	<u>24,427</u>	<u>58,784</u>
<b>FUND BALANCES - ENDING</b>	<u><u>62,854</u></u>	<u><u>25,234</u></u>	<u><u>88,088</u></u>

See independent auditor's report.



**CITY OF EDMONTON, KENTUCKY  
DISCRETELY PRESENTED COMPONENT UNIT  
EDMONTON-METCALFE INDUSTRIAL DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2018**

<b>ASSETS</b>	
Cash on Hand and in Banks	<u>5,202</u>
 <b>TOTAL ASSETS</b>	 <b><u>5,202</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	<b>0</b>
<b>FUND BALANCE - COMMITTED</b>	<b><u>5,202</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b><u>5,202</u></b>

See independent auditor's report.

**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, 2018**

<b>Total Fund Balance – Component Unit</b>	<b>5,202</b>
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Amounts reported for *component unit* in the statement of net position are different because:

Capital assets of \$3,703,390, net of accumulated depreciation of (\$650,556), are not current financial resources and, therefore, are not reported in the fund.	3,052,834
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Long-term liabilities of (\$854,997) are not due and payable in the current period and are not reported in the fund.	( <u>854,997</u> )
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<b>Net Position of Component Unit</b>	<b><u>2,203,039</u></b>
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See independent auditor's report.

**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, 2018**

<b>REVENUES</b>	
Rent Income	39,814
Intergovernmental	<u>31,871</u>
<b>Total Revenues</b>	<b><u>71,685</u></b>
<b>EXPENDITURES</b>	
Industrial Program	30,128
Capital Outlay - Spec Building	64,343
Debt Service	
Principal	8,833
Interest	<u>31,049</u>
<b>Total Expenditures</b>	<b><u>134,353</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>( 62,668)</b>
<b>OTHER FINANCING SOURCES</b>	
Interest Income	75
Loan Proceeds	<u>18,640</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>( 43,953)</b>
<b>FUND BALANCE - BEGINNING</b>	<u>49,155</u>
<b>FUND BALANCE - ENDING</b>	<b><u><u>5,202</u></u></b>

See independent auditor's report.

**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, 2018**

<b>Net Change in Fund Balance – Component Unit</b>	<b>(43,953)</b>
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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 \$64,343 exceeded depreciation expense of (\$56,260).	8,083
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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 (\$18,640) exceeded debt payments of \$8,833.	( 9,807)
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<b>Change in Net Position of Component Unit</b>	<b><u>(45,677)</u></b>
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See independent auditor's report.

# TAYLOR, POLSON & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

101 McKENNA STREET, P. O. BOX 1804

GLASGOW, KENTUCKY 42142-1804

TELEPHONE 270-651-8877

FAX 270-651-8879

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

BRANCH OFFICE  
108 WEST THIRD STREET  
P.O. BOX 128

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

TOMPKINSVILLE, KENTUCKY 42167  
TELEPHONE 270-487-6515  
FAX 270-487-6515

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Edmonton, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Edmonton, Kentucky's basic financial statements, and have issued our report thereon dated February 18, 2019.

### 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.

#### **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 and OPEB liabilities.

**Cause:** The 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.

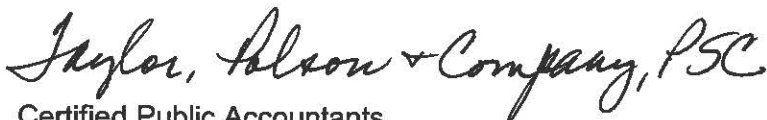
**Views of Responsible Officials and Planned Corrective Actions:** The City of Edmonton, Kentucky agrees with the findings and will seek additional training for the City Clerk.

#### **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

February 18, 2019