

**CITY OF EDGEWOOD, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2016**

**CITY OF EDGEWOOD, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2016**

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**CITY OF EDGEWOOD, KENTUCKY**

**LIST OF CITY OFFICIALS**

**For the Year Ended June 30, 2016**

**Mayor**

John D. Link

**Council Members**

Nancy Atkinson

Ben Barlage

Dale Henson

Joseph A. Messmer

Jeff Schreiver

Robert Thelen

Anthony C. Ward

**Department Heads**

City Administrator

Brian Dehner

Police Chief

Anthony H. Kramer

City Attorney

Frank Wichmann

City Clerk

Jeanette Kemper

Fire/EMS Chief

Chris Amon

General Services Director

Robert Begnoche



## INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and  
Members of the Council  
City of Edgewood, Kentucky**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Edgewood, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 opinion.

#### ***-Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Edgewood, Kentucky as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### ***-Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-8, the budgetary comparison schedules on pages 33-34, and the pension disclosures on pages 35-36 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.

### ***-Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule of the non-major governmental fund on page 37 is supplementary information and is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the City of Edgewood, 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 the City of Edgewood, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
December 7, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

Our discussion and analysis of the City of Edgewood, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's basic financial statements that begin on page 9.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 11. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The ending cash balance for the City was \$4,946,544.
- The ending investment balance for the City was \$1,558,152.
- The City completed road projects during the fiscal year of \$1,737,624.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (Continued)**

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and fiduciary funds. All activities of the City are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 31 of this report.

**Government-Wide Financial Analysis**

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015:

**Table 1 – Net Position of Governmental Activities**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>(Restated) 2015</b>
<b>Assets</b>		
Current assets	\$ 7,802,420	\$ 8,809,523
Capital assets, net	23,882,605	23,023,286
Total Assets	31,685,025	31,832,809
<b>Deferred Outflow of Resources</b>	1,852,277	1,089,553
<b>Liabilities</b>		
Current and other liabilities	994,654	3,271,557
Noncurrent liabilities	12,099,658	7,917,637
Total Liabilities	13,094,312	11,189,194
<b>Deferred Inflow of Resources</b>	-	408,182
<b>Net Position</b>		
Invested in capital assets net of related debt	17,299,561	16,942,312
Restricted for debt service	55,906	55,906
Unrestricted	3,087,523	4,326,768
	<u>\$ 20,442,990</u>	<u>\$ 21,324,986</u>

**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (Continued)**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$20.4 million as of June 30, 2016.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Total assets decreased \$147,784. Equity in cash and cash equivalents and investments decreased \$1,221,611. Table 2 reflects the change in net position.

**Table 2 - Change in Net Position**

	<b>2016</b>	<b>(Restated) 2015</b>
General Revenues		
Taxes	\$ 6,213,416	\$ 5,879,148
Licenses and permits	85,202	81,364
Fines and forfeitures	19,596	19,351
Earnings on investments	46,227	34,458
Miscellaneous	(306,017)	11,687
Total General Revenues	<u>6,058,424</u>	<u>6,026,008</u>
Program Revenues		
Charges for services	1,087,889	1,176,968
Operating grants and contributions	88,157	98,164
Capital grants and contributions	325,800	2,261,391
Total Program Revenues	<u>1,501,846</u>	<u>3,536,523</u>
Expenses, net of program revenues		
General government	1,093,986	907,959
Police	1,594,563	1,366,149
Fire & EMS	1,065,885	757,935
Public works	1,555,181	(1,467,870)
Parks	10,000	33,842
Recreation	71,698	130,237
Interest expense	157,452	186,280
Depreciation	1,391,655	1,282,172
Total Expenditures, net	<u>6,940,420</u>	<u>3,196,704</u>
Prior period adjustment	-	(2,404,142)
Increase (Decrease) in Net Position	<u>\$ (881,996)</u>	<u>\$ 425,162</u>



**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (Continued)**

**The City's Funds**

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$11.4 million and expenditures and other financing uses of \$12.4 million. Revenues decreased 13.7% while expenses increased by 9.8%. The decrease in revenues is due to lower draws on the line of credit, which are revenues in the funds; the increase in expenses is due to the significant increase in debt service payment on the line of credit.

**General Fund Budgeting Highlights**

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning fund balance for beginning the fiscal year was \$6.8 million.

For the General Fund, budgeted revenues and other financing sources, in the amount of \$11 million, were less than actual revenues and other financing sources in the amount of \$372 thousand. The major differences come from the unbudgeted final draws on the line of credit.

Expenditures and other financing uses were budgeted at \$5.6 million while actual expenditures and other financing uses were \$12.4 million. The major difference comes from related to capital outlay and payoff of the line of credit.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the City had \$23.88 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2016 balances compared to fiscal year 2015.

**Table 3  
Capital Assets at June 30,  
(Net of Depreciation)**

	Capital Assets	
	2016	(Restated) 2015
Land	\$ 1,671,935	\$ 1,471,935
Construction in progress	781,421	745,455
Streets	13,587,856	12,890,853
Buildings and improvements	6,493,636	6,490,393
Vehicles and equipment	961,942	991,060
Park improvements	385,815	433,590
Total Assets, net	<u>\$ 23,882,605</u>	<u>\$ 23,023,286</u>

**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (Continued)**

*Prior Period Adjustment Related to Capital Assets* – The beginning balance for capital assets has been restated by a net (\$2,160,147) to account for a change in accounting method for depreciation of infrastructure assets. In previous years, infrastructure was depreciated with a 20% salvage value, therefore the asset would never fully depreciate, which generates a significant one period loss upon disposal of the asset. All prior infrastructure assets have been recalculated without the salvage value, with the net change being recorded as a prior period adjustment in the statement of activities.

The net change in capital assets of \$859,319 in the current year consisted of the following capital asset activity:

Addition of land	\$ 200,000
Addition of new streets	1,737,624
Disposal of old streets	(1,898,261)
Addition of new building assets	383,268
Disposal of old building assets	(145,000)
Addition of new vehicles and equipment	196,370
Addition of new park equipment	17,349
Net addition to construction in progress	35,966
Depreciation expense	(1,391,655)
Removal of accumulated depreciation	<u>1,723,658</u>
Change in Capital Assets	<u>\$ 859,319</u>

**Debt**

At June 30, 2016, the City had \$6.985 million in outstanding bonds and capital leases. The following is a summary of the City's debt transactions during the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Bonds outstanding	<u>\$ 3,955,000</u>	<u>\$ 3,200,000</u>	<u>\$ 170,000</u>	<u>\$ 6,985,000</u>

**Changes in GASB 68 Pension Liability Recognition**

As of June 30, 2016, the City reduced its prior net position by (\$243,729). This adjustment, shown on page 10, accounts for the health insurance fund portion of the pension contributions at June 30, 2015 and is being recorded in accordance with Government Accounting Standards Board Statement No. 68. Detailed information on this pension recognition can be found in Note 8 in the Notes to the Financial Statements.

**Economic Factors in Next Year's Budget**

The City remains in solid financial ground, and has weathered the financial issues that have been strong concerns for the recent prior years. The inflationary rate increase in utilities, healthcare, construction and construction costs continues to be the dominant concern for budgeting forecasts. The City continues to see a minimal increase in revenues.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the City Administrator's office, City of Edgewood, 385 Dudley Road, Edgewood, Kentucky 41017.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

<b>Assets</b>	<b>Governmental Activities</b>
Current Assets	
Cash and cash equivalents	\$ 4,946,544
Investments - current	1,558,152
Receivables	
Property taxes	19,037
Payroll taxes	1,060,437
Waste fees	7,772
Other receivables	33,793
Prepaid expenses	176,685
<b>Total Current Assets</b>	<b>7,802,420</b>
Capital Assets	
Land and construction in progress	2,453,357
Infrastructure	23,954,732
Buildings and improvements	9,132,615
Vehicles and equipment	4,970,204
Park improvements	1,934,881
Less: accumulated depreciation	(18,563,183)
<b>Net Capital Assets</b>	<b>23,882,606</b>
<b>Total Assets</b>	<b>31,685,026</b>
<b>Deferred Outflow of Resources</b>	
Discount on bonds, net	51,222
Bond refunding costs, net	350,734
Deferred outflow of resources related to pensions	1,450,321
<b>Total Deferred Outflows of Resources</b>	<b>1,852,277</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>33,537,303</b>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	129,822
Accrued liabilities	262,688
Current portion of notes payable	602,144
Line of credit balance	-
<b>Total Current Liabilities</b>	<b>994,654</b>
Long-term Liabilities	
Bonds payable	6,382,856
Net pension liability	5,716,802
<b>Total Long-Term Liabilities</b>	<b>12,099,658</b>
<b>Total Liabilities</b>	<b>13,094,312</b>
<b>Deferred Inflow of Resources</b>	
Premium on bonds, net	-
Deferred inflow of resources related to pensions	-
<b>Total Deferred Inflow of Resources</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>13,094,312</b>
<b>Net Position</b>	
Invested in capital assets, net of related debt	17,299,562
Restricted for debt service	55,906
Unrestricted	3,087,523
<b>Total Net Position</b>	<b>\$ 20,442,991</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General government	\$ 1,805,698	\$ 711,712	\$ -	\$ -	\$ (1,093,986)
Police	1,677,520	14,826	56,574	11,557	(1,594,563)
Fire and EMS	1,408,879	311,411	31,583	-	(1,065,885)
Public works	1,869,424	-	-	314,243	(1,555,181)
Parks	10,000	-	-	-	(10,000)
Recreation	121,638	49,940	-	-	(71,698)
Interest on debt service	157,452	-	-	-	(157,452)
Depreciation, unallocated	1,391,655	-	-	-	(1,391,655)
<b>Total Governmental Activities</b>	<b>\$ 8,442,266</b>	<b>\$ 1,087,889</b>	<b>\$ 88,157</b>	<b>\$ 325,800</b>	<b>(6,940,420)</b>
General Revenues					
					6,213,416
					85,202
					46,227
					(319,603)
					13,586
					19,596
<b>Total general revenues</b>					<b>6,058,424</b>
<b>Change in net position</b>					<b>(881,996)</b>
<b>Net Position, Beginning of Year</b>					<b>23,729,128</b>
<b>Prior period adjustment</b>					<b>(2,404,142)</b>
<b>Net Position, End of Year</b>					<b>\$ 20,442,990</b>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2016</b>
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	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 4,890,638	\$ 55,906	\$ 4,946,544
Investments	1,558,152	-	1,558,152
Receivables			
Property taxes	19,037	-	19,037
Payroll taxes	1,060,437	-	1,060,437
Waste fees	7,772	-	7,772
Other receivables	33,793	-	33,793
Prepaid expenses	176,685	-	176,685
<b>Total Assets</b>	<u>\$ 7,746,514</u>	<u>\$ 55,906</u>	<u>\$ 7,802,420</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 129,822	\$ -	\$ 129,822
Accrued salaries	142,570	-	142,570
Accrued liabilities	120,118	-	120,118
Deferred revenue	27,931	-	27,931
<b>Total Liabilities</b>	<u>420,441</u>	<u>-</u>	<u>420,441</u>
<b>Fund Balances</b>			
Unspendable	206,253	-	206,253
Restricted for debt service	-	55,906	55,906
Committed for capital improvement	-	-	-
Unassigned	7,119,820	-	7,119,820
<b>Total Fund Balances</b>	<u>7,326,073</u>	<u>55,906</u>	<u>7,381,979</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,746,514</u>	<u>\$ 55,906</u>	<u>\$ 7,802,420</u>

The accompanying notes are an integral part of the financial statements.

<p><b>CITY OF EDGEWOOD, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2016</b></p>
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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet		\$ 7,381,979
Capital assets of \$42,445,788, less accumulated depreciation of (\$18,563,183), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		23,882,605
Deferred charges represent funds received for future projects that will not require current funds and therefore are reported as deferred revenues in the governmental funds.		27,931
Costs of issuance of debt, premiums and discounts expensed for governmental funds are carried as deferred charges in the statement of net position.		
Bond premium	\$ (30,532)	
Less: accumulated amortization	<u>30,532</u>	-
Bond discount	63,968	
Less: accumulated amortization	<u>(12,746)</u>	51,222
Deferred refunding costs	518,637	
Less: accumulated amortization	<u>(167,903)</u>	350,734
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:		
Deferred outflow of resources		1,450,321
Deferred inflow of resources		-
Long-term liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		
Net pension liability		(5,716,802)
Line of credit payable		-
Bonds payable		<u>(6,985,000)</u>
Net position of governmental activities		<u>\$ 20,442,990</u>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND</b> <b>BALANCES - GOVERNMENTAL FUNDS</b> <b>For the Year Ended June 30, 2016</b>
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	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 6,204,600	\$ -	\$ 6,204,600
Licenses and permits	85,202	-	85,202
Fines and forfeitures	19,596	-	19,596
Other revenues	13,586	-	13,586
Investment income	3,246,227	-	3,246,227
Intergovernmental revenue	413,957	-	413,957
Charges for services	1,087,889	-	1,087,889
<b>Total Revenues</b>	<u>11,071,057</u>	<u>-</u>	<u>11,071,057</u>
<b>Expenditures</b>			
General government	1,768,888	-	1,768,888
Police	1,568,965	-	1,568,965
Fire and EMS	1,319,430	-	1,319,430
Public works	1,827,597	-	1,827,597
Parks	10,000	-	10,000
Recreation	121,638	-	121,638
Capital outlay	2,570,578	-	2,570,578
Debt service	-	3,199,754	3,199,754
<b>Total Expenditures</b>	<u>9,187,096</u>	<u>3,199,754</u>	<u>12,386,850</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>1,883,961</u>	<u>(3,199,754)</u>	<u>(1,315,793)</u>
<b>Other Financing Sources (Uses)</b>			
Line of credit draw	344,372	-	344,372
Operating transfers in	-	3,199,754	3,199,754
Operating transfers out	(3,199,754)	-	(3,199,754)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,855,382)</u>	<u>3,199,754</u>	<u>344,372</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>(971,421)</u>	<u>-</u>	<u>(971,421)</u>
<b>Fund Balance, Beginning of Year</b>	<u>8,297,494</u>	<u>55,906</u>	<u>8,353,400</u>
<b>Fund Balance, End of Year</b>	<u>\$ 7,326,073</u>	<u>\$ 55,906</u>	<u>\$ 7,381,979</u>

The accompanying notes are an integral part of the financial statements.

<p><b>CITY OF EDGEWOOD, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2016</b></p>
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Amounts reported for governmental activities in the statement of activities are different because:

**Net change in fund balance - total governmental funds** \$ (971,421)

Governmental funds report capital outlays as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 2,570,578	
Loss on disposal of assets	(319,603)	
Depreciation expense	<u>(1,391,655)</u>	
		859,320

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:

Pension contributions	406,818
Costs of benefits earned	<u>(683,458)</u>

Deferred refunding costs are reported for governmental activities as a deferred outflow and amortized over the life of the bond and it is a component of interest expense, but it is not reported in the governmental funds. This is the amortized interest expense. (33,926)

The bond premium/discount is reported for governmental activities as a deferred inflow/outflow and amortized over the life of the bond and it is a component of interest expense, but is not reported in the governmental funds. This is the amortized interest expense. 2,307

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 8,816

Other financing sources, such as a draw on a line of credit, are considered revenues in the funds, however, they are recorded as long term debt on the Statement of Net Position. (3,544,550)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond	170,000
Line of Credit	<u>2,904,098</u>

**Change in net position of governmental activities** \$ (881,996)

The accompanying notes are an integral part of the financial statements.



<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF FIDUCIARY NET POSITION</b> <b>June 30, 2016</b>
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	<b>Total Retirement Plans</b>
<b>Assets</b>	
Investments - mutual funds	<u>\$ 113,661</u>
<b>Total Assets</b>	<u>113,661</u>
<b>Net Position</b>	
Held in trust for pension benefits	<u>113,661</u>
<b>Total Net Position</b>	<u><u>\$ 113,661</u></u>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b> <b>For the Year Ended June 30, 2016</b>
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	<b>Total Retirement Plans</b>
<b>Additions</b>	
Employee contributions	\$ 23,851
Investment gains	(988)
<b>Total Additions</b>	<u>22,863</u>
<b>Deductions</b>	
Benefits distributed	5,134
Fees	40
<b>Total Deductions</b>	<u>5,174</u>
<b>Change in Net Position</b>	17,689
<b>Net Position - July 1, 2015</b>	<u>95,972</u>
<b>Net Position - June 30, 2016</b>	<u>\$ 113,661</u>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**NOTE 1 – ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Edgewood, Kentucky (the “City”) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General Fund and the Debt Service Fund.

**The Reporting Entity**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Edgewood, Kentucky.

The City of Edgewood, Kentucky is a Charter City, in which citizens elect the mayor at large and seven council members. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

**Basis of Presentation**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position. Fiduciary funds are reported using the economic resources measurement focus.

The City has the following funds:

**Governmental Fund Types**

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This is a major fund of the City.

**Fiduciary Funds**

- (A) Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs. The reporting focus is on net position and changes in net position.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Capital Assets**

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	30–40 Years
Land Improvements	20 Years
Streets	25 Years
Vehicles	5 –20 Years
General Equipment and Furniture	5 – 7 Years
Public Works Equipment	5 –10 Years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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### **Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

### **Net Position**

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. 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 the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### **Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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### **Cash and Cash Equivalents**

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances. The City has no interfund balances.

### **NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with City ordinance, by May 31, the Mayor submits to the City Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- b) A public meeting is conducted to obtain citizen comment.
- c) By July 1, the budget is legally enacted through passage of an ordinance.
- d) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- e) Appropriations continue in effect until a new budget is adopted.
- f) The Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council. The Council adopted three supplementary appropriation ordinances. All appropriations lapse at fiscal year end.

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

- a) Obligations of the United States and of 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.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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- b) 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.
- c) Obligations of any corporation of the United States government.
- d) 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 the Kentucky Revised Statutes.

**Deposits**

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2016, \$250,000 of the City's deposits are covered by FDIC depository insurance. The remaining \$5,965,435 is collateralized by securities held by the financial institution's trust department or agent, but not in the City's name. The carrying amount of the City's deposits with financial institutions at June 30, 2016 was:

<b>Cash and cash equivalents</b>	2016
Cash and cash equivalents in financial institutions	\$ 4,946,393
Petty cash	151
<b>Investments</b>	
Investments in annuity and certificate of deposit	1,558,152
Total cash, cash equivalents, and investments	<u>\$ 6,504,696</u>

**Investments**

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial credit risk at June 30, 2015.

*Credit risk – investments.* The City's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government. At June 30, 2016, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Investment Level
Certificate of Deposit	\$ 536,152	Less than 5 years	Level 1
Annuity	1,022,000	5 years	Level 3
Total Investments	<u>\$ 1,558,152</u>		

*Annuity Contract* – The City's investment in an annuity contract is carried at the fair value determined by an insurance company, a level 3 measurement. The annuity carries a guaranteed effective annual yield of 2.20% through November 16, 2019.



<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	(Restated) Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
<b>Governmental Activities</b>				
<b>Capital Assets not Depreciated</b>				
Land	\$ 1,471,935	\$ 200,000	\$ -	\$ 1,671,935
Construction in progress	745,455	1,773,591	(1,737,625)	781,421
Total Capital Assets Not Being Depreciated	<u>2,217,390</u>	<u>1,973,591</u>	<u>(1,737,625)</u>	<u>2,453,356</u>
<b>Depreciable Capital Assets</b>				
Infrastructure	24,115,369	1,737,624	(1,898,261)	23,954,732
Buildings & improvements	8,894,347	383,268	(145,000)	9,132,615
Vehicles & equipment	4,773,834	196,370	-	4,970,204
Park improvements	1,917,532	17,349	-	1,934,881
Total Depreciable Capital Assets	<u>39,701,082</u>	<u>2,334,611</u>	<u>(2,043,261)</u>	<u>39,992,432</u>
Total Capital Assets at Historical Cost	<u>41,918,472</u>	<u>4,308,202</u>	<u>(3,780,886)</u>	<u>42,445,788</u>
Less Accumulated Depreciation				
Infrastructure	11,224,516	866,018	(1,723,658)	10,366,876
Buildings & improvements	2,403,954	235,025	-	2,638,979
Vehicles & equipment	3,782,774	225,488	-	4,008,262
Park improvements	1,483,942	65,124	-	1,549,066
Total Accumulated Depreciation	<u>18,895,186</u>	<u>1,391,655</u>	<u>(1,723,658)</u>	<u>18,563,183</u>
<b>Depreciable Capital Assets, Net</b>	<u>20,805,896</u>	<u>942,956</u>	<u>(319,603)</u>	<u>21,429,249</u>
<b>Total Capital Assets, Net</b>	<u>\$ 23,023,286</u>	<u>\$ 2,916,547</u>	<u>\$ (2,057,228)</u>	<u>\$ 23,882,605</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

*Prior Period Adjustment Related to Capital Assets* – The beginning balance for capital assets has been restated by a net (\$2,160,147) to account for a change in accounting method for depreciation of infrastructure assets. In previous years, infrastructure was depreciated with a 20% salvage value, therefore the asset would never fully depreciate, which generates a significant one period loss upon disposal of the asset. All prior infrastructure assets have been recalculated without the salvage value, with the net change being recorded as a prior period adjustment in the statement of activities.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**NOTE 6 – LONG TERM DEBT**

**City Building Bond, Series 2004**

This \$4,250,000 bond was obtained to finance construction of the City building. Interest payments are due June 1 and December 1. The principal payments are paid on December 1. The interest rate varies between 4.25% and 5% and the final payment is due on December 1, 2034.

On December 29, 2011, the City issued \$3,865,000 in General Obligation Refunding Bonds, Series 2011 with an average interest rate of 2.8% to advance refund \$3,295,000 of outstanding City Building Bonds, Series 2004, with scheduled maturity dates on or after December 1, 2016, with an average interest rate of 4.9%. The net proceeds of \$3,746,055 (after payment of \$52,690 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Series 2004 bonds. As a result, the Series 2004 bonds with maturity dates on or after December 1, 2016 are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2015, \$3,295,000 of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$518,637. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2035 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next 23 years by \$429,065 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$218,279.

The outstanding balance of the un-refunded portion of the Series 2004 bonds at June 30, 2016 is \$105,000. The un-refunded bonds are scheduled to mature as follows:

<u>Years Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2017	4.50%	\$ 105,000	\$ 2,363	\$ 107,363
		<u>\$ 105,000</u>	<u>\$ 2,363</u>	<u>\$ 107,363</u>

**General Obligation Refunding Bond, Series 2010**

This \$1,305,000 bond was obtained to refund the general revenue bond, series 1997. Interest payments are due June 1 and December 1. The principal payments are paid on December 1. The interest rate is 2.00% and the final payment was paid on December 1, 2015.

**General Obligation Refunding Bond, Series 2011**

This \$3,865,000 bond was obtained to refund part of the City Building Bonds, Series 2004. Interest payments on the Series 2011 bond are due June 1 and December 1. The principal payments are paid on December 1. The interest rate is 2.0% until 2022 and between 2.375% and 3.25% until the final payment which is due on December 1, 2034.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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The General Obligation Refunding Bond (City Building) is scheduled to mature as follows:

Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2017	2.0%	\$ 155,000	\$ 94,856	\$ 249,856
2018	2.0%	160,000	91,706	251,706
2019	2.0%	165,000	88,456	253,456
2020	2.0%	165,000	85,156	250,156
2021	2.0%	170,000	81,806	251,806
2022-2026	2.0-2.3%	890,000	353,453	1,243,453
2027-2031	2.3-3.0%	1,035,000	228,365	1,263,365
2032-2035	3.0-3.3%	940,000	61,666	1,001,666
		<u>\$ 3,680,000</u>	<u>\$ 1,085,464</u>	<u>\$ 4,765,464</u>

### BB&T Capital Lease

On February 5, 2016, the City obtained a capital lease for \$3,200,000 to pay off a higher interest line of credit, which was extended to pay for significant road projects in the City. The interest rate is 2.18% and matures on September 1, 2024.

The BB&T Capital Lease is scheduled to mature as follows:

Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2017	2.18%	\$ 342,144	\$ 72,971	\$ 415,115
2018	2.18%	354,737	60,378	415,115
2019	2.18%	362,511	52,604	415,115
2020	2.18%	370,458	44,657	415,115
2021	2.18%	378,578	36,537	415,115
2022-2025	2.18%	1,391,572	61,330	1,452,902
		<u>\$ 3,200,000</u>	<u>\$ 328,477</u>	<u>\$ 3,528,477</u>

### Conduit Debt Obligations

The City has issued Industrial Building Revenue Bonds to provide financial assistance to private-sector entities for the purchase or addition of property including land and a building. The bonds are secured by the properties financed and are payable solely from the private-sector entities. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2016, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$8,915,464.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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The following is a summary of the City's long-term debt transactions for the year ended June 30, 2016.

Type of Debt	Debt Outstanding June 30, 2015	Additions of New Debt	Repayments	Debt Outstanding June 30, 2016	Amounts Due Within 1 Year
General Obligation City Building Bonds Series 2004	\$ 105,000	\$ -	\$ -	\$ 105,000	\$ 105,000
General Obligation Refunding Bonds Series 2010	120,000	-	120,000	-	-
General Obligation Refunding Bonds Series 2011	3,730,000	-	50,000	3,680,000	155,000
BB&T Capital Lease 2016	-	3,200,000	-	3,200,000	342,144
	\$ 3,955,000	\$ 3,200,000	\$ 170,000	\$ 6,985,000	\$ 602,144

**NOTE 7 – LINE OF CREDIT**

The City has a non-revolving line of credit with Branch Banking & Trust Company for \$4,100,000 with a prime rate of 3.15% at June 30, 2016. At June 30, 2016, the amount outstanding on the line of credit was \$0.

**NOTE 8 – COUNTY EMPLOYEES' RETIREMENT SYSTEM**

The City's eligible employees are covered by the County Employees Retirement System.

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan description* - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five year's service. For retirement purposes, employees are grouped into three tiers, based on hire date:

<p><b>CITY OF EDGEWOOD, KENTUCKY</b>  <b>Notes to Financial Statements</b>  <b>June 30, 2016</b></p>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	27 years service or 65 years old
	Reduced Retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation Date	September 1, 2008 - December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation Date	After December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced Retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number 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. Participating employees become eligible to receive the health insurance benefit after at least 180 months or 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 benefit and \$10,000 plus 25% of the decedent's monthly final rate or 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. *Contributions* - Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**Contributions**

For non-hazardous duty employees, the City contributed 17.06%, of which 12.42% was for the pension fund and 4.64% was for the health insurance fund, of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2016. For hazardous duty employees, the City contributed 32.95%, of which 20.26% was for the pension fund and 12.69% was for the health insurance fund, of the hazardous duty employee's compensation during the fiscal year ended June 30, 2016.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$106,879, of which \$77,810 was for the pension fund and \$29,069 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$535,085, of which \$329,008 was for the pension fund and \$209,077 was for the health insurance fund.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the City reported a liability of \$5,716,802 (\$1,148,876 – non-hazardous and \$4,567,926 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's non-hazardous employer allocation proportion was 0.026721% of the total CERS non-hazardous duty employees and 0.297564% of the total CERS hazardous duty employees. For the year ended June 30, 2016, the City recognized pension expense of \$683,458.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 108,761	\$ -
Net difference between projected and actual earnings on plan investments	38,985	-
Changes of assumptions	510,595	-
Changes in proportion and differences between City contributions and proportionate share of contributions	385,162	-
City contributions subsequent to the measurement date	406,818	-
Total	<u>\$ 1,450,321</u>	<u>\$ -</u>

In FY 2016, \$1,450,321 was recognized as a net deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, and d) contributions subsequent to the measurement date. There were no net deferred inflows of resources.

The City's contributions subsequent to the measurement date of \$406,818 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2017	268,429
2018	268,429
2019	229,828
2020	276,817
	<u>\$ 1,043,503</u>

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2016**

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

**Changes of Assumptions**

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<b>CERS Hazardous &amp; Non-Hazardous Target Allocation</b>	<b>Long Term Expected Nominal Return</b>
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.5%	\$ 7,313,784
Current discount rate	7.5%	5,716,802
1% increase	8.5%	4,384,809



<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**Plan Fiduciary Net Position**

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**City Pension Plan**

Non-hazardous duty employees are eligible to contribute an additional 2% to the City's previous defined contribution pension plan. The City contributes up to 4.5%. The City made no contributions for the City's pension obligations for the fiscal year ended June 30, 2016.

**401(k) Plan and 457 Plan**

The City also permits employees to participate in a 401(k) or 457 plan sponsored by the Commonwealth of Kentucky.

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2016 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 10 – CLAIMS AND JUDGEMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

**Statement No. 71** – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

**Statement No. 72** – *Fair Value Measurement and Application*

**Statement No. 73** – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2016</b>
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**Statement No. 76** – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

**Statement No. 79** – *Certain External Investment Pools and Pool Participants*

**NOTE 13 – FUTURE ACCOUNTING STANDARDS**

**Statement No. 74** – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

**Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

**Statement No. 77** – *Tax Abatement Disclosures*

**Statement No. 78** – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

**Statement No. 80** – *Blending Requirements for Certain Component Unites – an Amendment of GASB Statement No. 14*

**Statement No. 81** – *Irrevocable Split-Interest Agreements*

**Statement No. 82** – *Pension Issues – an Amendment of GASB Statements No. 67, 68, and 73*

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

The City has recorded two prior period adjustments to the beginning net position for a total of (\$2,404,146). This total includes (\$2,160,417) for a change in depreciation method for infrastructure assets [see **NOTE 5**] and (\$243,729) which accounts for the health insurance fund portion of the pension contributions for 2015 which is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated events through December 7, 2016, the date on which the financial statements were available for issue. The City has no subsequent events to June 30, 2016 through December 7, 2016 to disclose.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	\$ 3,500,000	\$ 2,693,362	\$ 6,193,362	\$ 8,297,494	\$ 2,104,132
<b>Resources (inflows):</b>					
<b>Taxes</b>					
Real estate tax	1,700,000	-	1,700,000	1,767,155	67,155
Payroll tax	3,500,000	-	3,500,000	3,912,233	412,233
Net profits tax	260,000	-	260,000	304,116	44,116
Bank deposit tax	55,000	-	55,000	60,936	5,936
Franchise tax	80,000	-	80,000	74,815	(5,185)
Cable return	82,000	-	82,000	85,345	3,345
<b>Licenses and permits</b>					
Occupational licenses	68,000	-	68,000	75,422	7,422
ABC licenses	18,000	-	18,000	9,305	(8,695)
Garage permits	500	-	500	475	(25)
Building and zoning	100	-	100	-	(100)
<b>Fines and forfeitures</b>					
Real estate penalties and interest	2,500	-	2,500	19,027	16,527
Police	1,000	-	1,000	569	(431)
<b>Other revenues</b>					
Sale of property	1,000	-	1,000	-	(1,000)
Memorials	100	-	100	-	(100)
Concessions	1,000	-	1,000	903	(97)
Newsletter advertisements	1,500	-	1,500	2,350	850
Miscellaneous	65,000	140,000	205,000	10,333	(194,667)
<b>Investment income, other financing</b>	23,000	3,200,000	3,223,000	3,246,227	23,227
<b>Intergovernmental</b>					
KLEFPF	77,000	-	77,000	56,574	(20,426)
LGAF	300	-	300	-	(300)
Base court revenue	6,500	-	6,500	11,557	5,057
Fire department state aid	16,000	-	16,000	31,583	15,583
Other grants	337,000	263,000	600,000	314,243	(285,757)
<b>Charges for services</b>					
Waste	650,000	-	650,000	666,705	16,705
EMS response fee	300,000	-	300,000	244,011	(55,989)
Contract fire department	65,000	-	65,000	67,400	2,400
Police special duty	20,000	-	20,000	14,826	(5,174)
Board of adjustments	500	-	500	-	(500)
SRO fee	34,000	-	34,000	12,245	(21,755)
Senior center rental	30,000	-	30,000	32,762	2,762
Recreation programs	45,000	-	45,000	49,940	4,940
Total resources (inflows)	<u>7,440,000</u>	<u>3,603,000</u>	<u>11,043,000</u>	<u>11,071,057</u>	<u>28,057</u>
<b>Amounts available for appropriation</b>	<u>10,940,000</u>	<u>6,296,362</u>	<u>17,236,362</u>	<u>19,368,551</u>	<u>2,132,189</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND - (Continued)**  
**For the Year Ended June 30, 2016**

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Charges to appropriations (outflows):</b>					
<b>General government</b>					
Personnel	\$ 461,202	\$ -	\$ 461,202	\$ 452,121	\$ 9,081
Contractual	387,800	566,000	953,800	393,066	560,734
Programs & Recreation	115,000	(6,000)	109,000	121,638	(12,638)
Operations & maintenance	890,300	5,000	895,300	1,562,177	(666,877)
<b>Police</b>					
Personnel	1,497,280	-	1,497,280	1,461,428	35,852
Contractual	15,500	-	15,500	13,821	1,679
Operations & maintenance	128,800	-	128,800	127,619	1,181
<b>Fire and EMS</b>					
Personnel	1,209,455	-	1,209,455	1,191,367	18,088
Contractual	8,000	-	8,000	8,000	-
Operations & maintenance	149,800	-	149,800	157,863	(8,063)
<b>Public works</b>					
Personnel	656,507	(656,507)	-	628,397	(628,397)
Road Construction & Maintenance	2,858,460	(2,858,460)	-	2,829,279	(2,829,279)
Operations & maintenance	165,300	(165,300)	-	212,971	(212,971)
<b>Parks</b>					
Operations & maintenance	30,000	(30,000)	-	27,349	(27,349)
<b>Capital outlay</b>	140,000	-	140,000	-	140,000
<b>Total charges to appropriations</b>	8,713,404	(3,145,267)	5,568,137	9,187,096	(3,618,959)
Line of credit draw	-	-	-	344,372	344,372
Interfund transfers	1,500,000	(1,500,000)	-	(3,199,754)	(3,199,754)
<b>Budgetary fund balance, June 30</b>	<u>\$ 3,726,596</u>	<u>\$ 7,941,629</u>	<u>\$ 11,668,225</u>	<u>\$ 7,326,073</u>	<u>\$ (4,342,152)</u>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS</b> <b>For the Year Ended June 30, 2016</b>
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<b>Schedule of the City's Proportionate Share of the Net Pension Liability</b>										
<b>County Employees' Retirement System (CERS)</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of net pension liability	0.026721%	0.023916%								
Proportionate share of the net pension liability (asset)	\$1,148,876	\$ 775,925								
Covered employee payroll in year of measurement	670,051	548,671								
Share of the net pension liability (asset) as a percentage of its covered employee payroll	171.46%	141.42%								
Plan fiduciary net position as a percentage of total pension liability	59.97%	66.80%								

<b>Schedule of the City's Contributions</b>										
<b>County Employees' Retirement System (CERS)</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 77,810	\$ 85,431	\$ 75,387							
Actual contribution	77,810	85,431	75,387							
Contribution deficiency (excess)	-	-	-							
Covered employee payroll	626,489	670,051	548,671							
Contributions as a percentage of covered employee payroll	12.42%	12.75%	13.74%							

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**  
**Changes of Assumptions**

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

**CITY OF EDGEWOOD, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS**  
**For the Year Ended June 30, 2016**

**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**County Employees' Retirement System (CERS)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of net pension liability	0.29756%	0.267758%								
Proportionate share of the net pension liability (asset)	\$4,567,926	\$3,217,984								
Covered employee payroll in year of measurement	1,552,002	1,356,182								
Share of the net pension liability (asset) as a percentage of its covered employee payroll	294.32%	237.28%								
Plan fiduciary net position as a percentage of total pension liability	57.52%	63.46%								

**Schedule of the City's Contributions**  
**County Employees' Retirement System (CERS)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 329,008	\$ 321,730	\$ 295,241							
Actual contribution	329,008	321,730	295,241							
Contribution deficiency (excess)	-	-	-							
Covered employee payroll	1,623,930	1,552,002	1,356,182							
Contributions as a percentage of covered employee payroll	20.26%	20.73%	21.77%							

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**  
**Changes of Assumptions**

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (WITH VARIANCES) - DEBT SERVICE FUND**  
**For the Year Ended June 30, 2016**

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,906</u>	<u>\$ 55,906</u>
<b>Resources (inflows):</b>					
Investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total resources (inflows)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Amounts available for appropriation</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,906</u>	<u>55,906</u>
<b>Charges to appropriations (outflows):</b>					
Debt service expenditures	<u>500,000</u>	<u>2,500,000</u>	<u>3,000,000</u>	<u>3,199,754</u>	<u>(199,754)</u>
<b>Total charges to appropriations</b>	<u>500,000</u>	<u>2,500,000</u>	<u>3,000,000</u>	<u>3,199,754</u>	<u>(199,754)</u>
Operating transfers in	<u>500,000</u>	<u>2,500,000</u>	<u>3,000,000</u>	<u>3,199,754</u>	<u>199,754</u>
<b>Budgetary fund balance, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,906</u></u>	<u><u>\$ 55,906</u></u>

The accompanying notes are an integral part of the financial statements.



**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**

**To the Honorable Mayor and  
Members of Council of  
City of Edgewood, 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 and each major fund of the City of Edgewood, Kentucky as of June 30, 2016 and the related notes to the financial statements which collectively comprise the City of Edgewood, Kentucky's financial statements, and have issued our report thereon dated December 7, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Edgewood, 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 Edgewood, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Edgewood, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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





### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Edgewood, Kentucky's financial statements are free of 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 audits, 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.

*Van Gorder, Walker + Co., Inc.*

**Van Gorder, Walker, & Co., Inc.**  
Erlanger, Kentucky  
December 7, 2016