

**CITY OF EDGEWOOD, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2013**  
**WITH**  
**Independent Auditors' Report**

**CITY OF EDGEWOOD, KENTUCKY  
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**CITY OF EDGEWOOD, KENTUCKY**

**CITY OFFICIALS**

**MAYOR**

John Link

**COUNCIL MEMBERS**

Dale Henson	Ben Barlage
Jeff Schreiber	Joe Messmer
Chris Link	Tony Ward
Nancy Atkinson	

**DEPARTMENT HEADS**

City Attorney	Frank Wichmann
City Administrator	Douglas Beckham
City Clerk	Jeanette Kemper
Recreation Director	Elaine Hoblik
Deputy Clerk	Belinda Nitschke
Fire Chief	Chris Amon
Police Chief	Anthony Kramer
General Services Director	Robert Begnoche



859-341-6700      www.bramelackley.com  
1-877-585-6454      1885 Dixie Highway,  
Fax 859-578-3542      Suite 310  
info@bramelackley.com      Ft. Wright, Kentucky 41011

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of City 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 City of Edgewood, Kentucky as of and for the year ended June 30, 2013, 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.

### *Auditors' 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 of 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 principles 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 and each major fund of the City of Edgewood, Kentucky, as of June 30, 2013, 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 and budgetary comparison information on pages 4 through 8 and 30 through 32 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of 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 the 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 Edgewood, Kentucky's internal control over financial reporting and compliance.

*Bramel G. Ackley, P.S.C.*

December 19, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013. 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 2013 are as follows:

- The ending cash balance for the City was \$4,112,316.
- The ending investment balance for the City was \$1,525,708.
- The City completed road projects during the fiscal year of \$789,477.

**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, 2013  
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 28 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 2013 compared to 2012:

		<b>Table 1 Net Position</b>	
		<u>Governmental Activities</u>	
		<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current and Other Assets	\$	6,628,359	\$ 5,780,763
Noncurrent Assets, Net		<u>22,200,595</u>	<u>22,337,950</u>
Total Assets		<u>28,828,954</u>	<u>28,118,713</u>
<b>Deferred Outflows of Resources</b>		<u>511,456</u>	<u>546,945</u>
<b>Liabilities</b>			
Current and Other Liabilities		896,301	684,431
Non-Current Liabilities		<u>4,345,000</u>	<u>4,725,000</u>
Total Liabilities		<u>5,241,301</u>	<u>5,409,431</u>
<b>Deferred Inflows of Resources</b>		<u>15,265</u>	<u>20,354</u>
<b>Net Position</b>			
Invested in Capital Assets			
Net of Related Debt		17,971,786	17,769,541
Restricted for Debt Service		55,906	-
Unrestricted		<u>6,056,152</u>	<u>5,466,332</u>
Total Net Position	\$	<u><u>24,083,844</u></u>	\$ <u><u>23,235,873</u></u>

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 \$24.1 million as of June 30, 2013.

**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

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 increased \$710,241. Equity in cash and cash equivalents and investments increased \$857,721. This activity is partially offset by a decrease in capital assets of \$137,355.

Table 2 reflects the change in net position.

**Table 2  
Change in Net Position**

	<u>Governmental Activities</u>	
	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
General Revenues		
Taxes	\$ 5,776,976	\$ 5,740,651
Licenses and Permits	73,355	74,430
Fines and Forfeitures	6,818	9,447
Earnings on Investments	17,496	11,721
Miscellaneous	48,284	21,005
Loss on Disposal of Capital Assets	<u>(27,796)</u>	<u>(10,628)</u>
Total General Revenues	<u>5,895,133</u>	<u>5,846,626</u>
Program Revenues		
Charges for Service	880,238	898,654
Operating Grants and Contributions	73,640	58,567
Capital Grants and Contributions	<u>265,262</u>	<u>283,515</u>
Total Program Revenues	<u>1,219,140</u>	<u>1,240,736</u>
Total Revenues	<u>7,114,273</u>	<u>7,087,362</u>
<b>Program Expenses</b>		
General Government	1,416,345	1,373,397
Police	1,536,256	1,432,388
Fire	907,435	895,439
Public Works	773,363	751,599
Parks	34,051	28,235
Recreation	150,120	154,984
Maintenance and Repairs	141,673	21,675
Interest	159,680	191,755
Depreciation	<u>1,147,379</u>	<u>1,092,492</u>
Total Program Expenses	<u>6,266,302</u>	<u>5,941,964</u>
Increase in Net Position	<u>\$ 847,971</u>	<u>\$ 1,145,398</u>



**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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 \$7.7 million and expenditures and other financing uses of \$7.1 million. While revenues decreased 2.37%, expenses decreased by 0.21%. The decrease in revenues is largely due to intergovernmental revenues. The decrease in expenses is due to the decrease in capital outlay.

**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 \$5.4 million.

For the General Fund, budgeted revenues and other financing sources, in the amount of \$7.5 million, exceeded actual revenues and other financing sources in the amount of \$331,677. The major differences come from intergovernmental revenues other grants.

Expenditures and other financing uses were budgeted at \$6.8 million while actual expenditures and other financing uses were \$6.6 million. The major difference comes from related to capital outlay.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, the City had \$22.2 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2013 balances compared to fiscal year 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 1,471,935	\$ 1,471,935
Construction in Progress	197,289	192,089
Streets	11,812,668	11,633,539
Buildings and Improvements	6,867,597	7,093,661
Vehicles and Equipment	1,304,473	1,336,638
Park Improvements	546,633	610,088
	\$ 22,200,595	\$ 22,337,950

**CITY OF EDGEWOOD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

The current year capital asset activity included the following activity:

Addition of New Streets	\$	789,477
Disposal of Old Streets and Equipment		(292,852)
Addition of Vehicles and Equipment		273,918
Disposal of Old Vehicles and Equipment		(390,647)
Addition of Construction in Progress		5,200
Depreciation		(1,147,379)
Disposal of Accumulated Depreciation		<u>624,928</u>
Change	\$	<u>(137,355)</u>

**Debt**

At June 30, 2013, the City had \$4.7 million in outstanding bonds.

The following is a summary of the City's debt transactions during the year ended June 30, 2013:

	<u>June 30, 2012</u>		<u>Additions</u>		<u>Repayments</u>	<u>June 30, 2013</u>
Bonds Outstanding	\$ <u>5,095,000</u>	\$	<u>-</u>	\$	<u>370,000</u>	\$ <u>4,725,000</u>

**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. Revenues and expenses generally remained flat, while the fund balance increased due to continued financial conservation. The last quarter of the budget year showed upticks in revenue, however, financial uncertainty continues to be the dominant concern for budgeting forecasts.

The budget for 2013-2014 is \$7,895,100, which reflects an increase of \$392,600 (5.23%), from the 2012-2013 budget.

Taxes remain at the .240 per \$100 of property, the same as the previous five years. All other taxes and fees remain the same. The City budgeted \$140,000 for EMS response fees; this includes expected revenue from the new ALS service that will be provided. We have been notified that the grant request through OKI has been awarded, but funds will not be received until the near future.

**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, 2013**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 4,112,316
Investments	1,525,708
Accounts Receivable	
Property Taxes	22,042
Payroll Taxes	898,483
Waste Fees	8,782
Other	35,607
Other Current Assets	<u>25,421</u>
Total Current Assets	<u>6,628,359</u>
<b>Noncurrent Assets</b>	
<b>Capital Assets</b>	
Land	1,471,935
Construction in Process	197,289
Depreciable Capital Assets	34,215,976
Less Accumulated Depreciation	<u>(13,684,605)</u>
Total Noncurrent Assets	<u>22,200,595</u>
Total Assets	<u>28,828,954</u>
<b>Deferred Outflows of Resources</b>	
Discount on Bonds, Net	59,565
Bond Refunding Costs, Net	<u>451,891</u>
Total Deferred Outflows of Resources	<u>511,456</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>29,340,410</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	295,626
Accrued Payroll and Withholdings	220,675
Current Portion of Bond Obligations	<u>380,000</u>
Total Current Liabilities	896,301
<b>Noncurrent Liabilities</b>	
Bond Obligations	<u>4,345,000</u>
Total Liabilities	5,241,301
<b>Deferred Inflows of Resources</b>	
Premium on Bonds, Net	<u>15,265</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>5,256,566</u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	17,971,786
Restricted for Debt Service	55,906
Unrestricted	<u>6,056,152</u>
<b>Total Net Position</b>	<u><u>\$ 24,083,844</u></u>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					<b>Primary Government</b>
<b>Governmental Activities</b>					<b>Total Governmental Activities</b>
General Government	\$ 1,416,345	\$ 725,453	-	-	(690,892)
Police	1,536,256	-	73,640	-	(1,462,616)
Fire	907,435	154,785	-	8,250	(744,400)
Public Works	773,363	-	-	257,012	(516,351)
Parks	34,051	-	-	-	(34,051)
Recreation	150,120	-	-	-	(150,120)
Maintenance and Repairs	141,673	-	-	-	(141,673)
Interest on Long-Term Debt	159,680	-	-	-	(159,680)
Depreciation, unallocated	1,147,379	-	-	-	(1,147,379)
<b>Total Primary Government</b>	<b>\$ 6,266,302</b>	<b>\$ 880,238</b>	<b>\$ 73,640</b>	<b>\$ 265,262</b>	<b>(5,047,162)</b>
<b>General Revenues</b>					
Payroll taxes					3,556,969
Real estate taxes					1,781,789
Other taxes					438,218
Licenses and Permits					73,355
Fines and Forfeitures					6,818
Earnings on Investments					17,496
Miscellaneous					48,284
Loss on Sale of Capital Assets					(27,796)
<b>Total General Revenues</b>					<b>5,895,133</b>
<b>Change in Net Position</b>					<b>847,971</b>
<b>Net Position July 1, 2012, as restated</b>					<b>23,235,873</b>
<b>Net Position June 30, 2013</b>					<b>\$ 24,083,844</b>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,056,410	\$ 55,906	\$ 4,112,316
Investments	1,525,708	-	1,525,708
Accounts Receivable			
Property Taxes	22,042	-	22,042
Payroll Taxes	898,483	-	898,483
Waste Fees	8,782	-	8,782
Other Receivables	35,607	-	35,607
Prepaid Expenses	25,421	-	25,421
	<u>\$ 6,572,453</u>	<u>\$ 55,906</u>	<u>\$ 6,628,359</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 44,709	\$ -	\$ 44,709
Deferred Revenues	30,825	-	30,825
Other Accrued Expenses	471,592	-	471,592
	<u>547,126</u>	<u>-</u>	<u>547,126</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid Expenses	25,421	-	25,421
Restricted:			
Debt Service	-	55,906	55,906
Assigned to:			
Capital Projects	1,361,820	-	1,361,820
Unassigned	4,638,086	-	4,638,086
	<u>6,025,327</u>	<u>55,906</u>	<u>6,081,233</u>
<b>Total Fund Balances</b>	<u>6,025,327</u>	<u>55,906</u>	<u>6,081,233</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,572,453</u>	<u>\$ 55,906</u>	<u>\$ 6,628,359</u>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
June 30, 2013**

**Total Fund Balance - Governmental Funds** **\$ 6,081,233**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 35,885,200	
Accumulated Depreciation	<u>(13,684,605)</u>	
		22,200,595

Costs incurred with the issuance of general obligation bonds are not financial resources and therefore are not reported as assets in governmental funds.

Bond Premium	(30,532)	
Accumulated Amortization	<u>15,267</u>	
		(15,265)

Bond Discount	63,968	
Accumulated Amortization	<u>(4,403)</u>	
		59,565

Deferred Refunding Costs	518,637	
Accumulated Amortization	<u>(66,746)</u>	
		451,891

Other assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. 30,825

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds:

Bonds Payable		<u>(4,725,000)</u>
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<b>Net Position of Governmental Activities in the Statement of Net Position</b>		<b>\$ <u>24,083,844</u></b>
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See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,774,955	\$ -	\$ 5,774,955
Licenses and Permits	73,355	-	73,355
Fines and Forfeitures	6,818	-	6,818
Other Revenue	79,059	-	79,059
Earnings on Investments	17,496	-	17,496
Intergovernmental Revenue	338,902	-	338,902
Charges for Services	880,238	-	880,238
	<u>7,170,823</u>	<u>-</u>	<u>7,170,823</u>
<b>Total Revenues</b>			
	<u>7,170,823</u>	<u>-</u>	<u>7,170,823</u>
<b>Expenditures</b>			
Current:			
General Government	1,419,145	-	1,419,145
Police	1,536,256	-	1,536,256
Fire	946,715	-	946,715
Public Works	778,301	-	778,301
Parks	34,051	-	34,051
Recreation	150,120	-	150,120
Debt Service			
Principal	-	370,000	370,000
Interest	-	129,280	129,280
Capital Outlay	1,163,250	-	1,163,250
	<u>6,027,838</u>	<u>499,280</u>	<u>6,527,118</u>
<b>Total Expenditures</b>			
	<u>6,027,838</u>	<u>499,280</u>	<u>6,527,118</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>1,142,985</u>	<u>(499,280)</u>	<u>643,705</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	-	555,186	555,186
Operating Transfers Out	(555,186)	-	(555,186)
	<u>(555,186)</u>	<u>555,186</u>	<u>-</u>
<b>Total Other Financing (Uses) Sources</b>			
	<u>(555,186)</u>	<u>555,186</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>587,799</u>	<u>55,906</u>	<u>643,705</u>
<b>Fund Balance July 1, 2012</b>	<u>5,437,528</u>	<u>-</u>	<u>5,437,528</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 6,025,327</u>	<u>\$ 55,906</u>	<u>\$ 6,081,233</u>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

<b>Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>643,705</b>
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds 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.</p>		
Depreciation Expense	\$ (1,147,379)	
Capital Outlays	<u>1,068,595</u>	(78,784)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		2,021
<p>Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		370,000
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or (loss) on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.</p>		
		(58,571)
<p>The bond premium/discount is reported for governmental activities as a deferred inflow/outflow and amortized over the life of the bond it is attributable to as a component of interest expense, but is not reported in the governmental funds. This is the amount of amortized interest expense.</p>		
		2,308
<p>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 is not reported in the governmental funds. This is the amount of amortized interest expense.</p>		
		<u>(32,708)</u>
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>847,971</u></b>

See accompanying notes.



CITY OF EDGEWOOD, KENTUCKY  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2013

	<u>Total Retirement Plans</u>
<b>Assets</b>	
Investments - Mutual Funds	\$ <u>177,966</u>
<b>Net Position</b>	
Held in Trust for Pension Benefits	\$ <u>177,966</u>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2013**

	<u>Total Retirement Plans</u>
<b>Additions</b>	
Employee Contributions	\$ 11,702
Investment Gain	<u>16,701</u>
Total Additions	28,403
 <b>Deductions</b>	
Benefits	<u>6,200</u>
 <b>Change in Net Position</b>	 22,203
 <b>Net Position - July 1, 2012</b>	 <u>155,763</u>
<b>Net Position - June 30, 2013</b>	 \$ <u><u>177,966</u></u>

See accompanying notes.

**CITY OF EDGEWOOD, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS**

**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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

Description	Governmental Activities Estimated Lives
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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

**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.

**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) 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.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

## 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, 2013, \$250,000 of the City's deposits are covered by FDIC depository insurance. The remaining \$5,435,316 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, 2013 was:

<b>Cash and cash equivalents:</b>	
Cash and cash equivalents with financial institutions	<u>\$4,112,316</u>
<b>Investments:</b>	
	1,525,708
Less: money market mutual fund	<u>(626)</u>
Total investments with financial institutions	<u>1,525,082</u>
 Total deposits with financial institutions	 <u>\$5,637,398</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, 2013.

*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, 2013, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposits	\$ 1,525,082	Less than 5 Years
Money Market Funds	<u>626</u>	Less than 5 Years
	<u><u>1,525,708</u></u>	



## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,471,935	\$ -	\$ -	\$ 1,471,935
Construction in Progress	192,089	5,200	-	197,289
Total Capital Assets Not Being Depreciated	<u>1,664,024</u>	<u>5,200</u>	<u>-</u>	<u>1,669,224</u>
Depreciable Capital Assets				
Streets	18,361,067	789,477	(292,852)	18,857,692
Buildings and Improvements	8,816,502	-	-	8,816,502
Vehicles and Equipment	4,754,846	273,918	(390,647)	4,638,117
Park Improvements	1,903,665	-	-	1,903,665
Total Depreciable Capital Assets	<u>33,836,080</u>	<u>1,063,395</u>	<u>(683,499)</u>	<u>34,215,976</u>
Total Capital Assets at Historical Cost	<u>35,500,104</u>	<u>1,068,595</u>	<u>(683,499)</u>	<u>35,885,200</u>
Less Accumulated Depreciation				
Streets	6,727,528	551,777	(234,281)	7,045,024
Buildings and Improvements	1,722,841	226,064	-	1,948,905
Vehicles and Equipment	3,418,208	306,083	(390,647)	3,333,644
Park Improvements	1,293,577	63,455	-	1,357,032
Total Accumulated Depreciation	<u>13,162,154</u>	<u>1,147,379</u>	<u>(624,928)</u>	<u>13,684,605</u>
Depreciable Capital Assets, Net	<u>20,673,926</u>	<u>(83,984)</u>	<u>(58,571)</u>	<u>20,531,371</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 22,337,950</u>	<u>\$ (78,784)</u>	<u>\$ (58,571)</u>	<u>\$ 22,200,595</u>

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

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, 2013, \$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 unrefunded portion of the Series 2004 bonds at June 30, 2013 is \$300,000. The unrefunded 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>
2014	4.25 %	\$ 95,000	\$ 11,244	\$ 106,244
2015	4.50 %	100,000	6,975	106,975
2016	4.50 %	105,000	2,363	107,363
Totals		<u>\$ 300,000</u>	<u>\$ 20,582</u>	<u>\$ 320,582</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 is due on December 1, 2015.

The General Obligation Refunding Bond (General Revenue) is 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>
2014	2.00 %	\$ 240,000	\$ 9,700	\$ 249,700
2015	2.00 %	245,000	4,850	249,850
2016	2.00 %	120,000	1,200	121,200
Totals		<u>\$ 605,000</u>	<u>\$ 15,750</u>	<u>\$ 620,750</u>

## NOTE 6 – LONG TERM DEBT (Continued)

## 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.

The General Obligation Refunding Bond (City Building) is 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>
2014	\$ 2.000 %	\$ 45,000	\$ 98,756	\$ 143,756
2015	2.000 %	45,000	97,856	142,856
2016	2.000 %	50,000	96,906	146,906
2017	2.000 %	155,000	94,856	249,856
2018	2.000 %	160,000	91,706	251,706
2019	2.000 %	165,000	88,456	253,456
2020	2.000 %	165,000	85,156	250,156
2021	2.000 %	170,000	81,806	251,806
2022	2.000 %	170,000	78,406	248,406
2023	2.000 %	175,000	74,956	249,956
2024	2.375 %	180,000	71,069	251,069
2025	2.375 %	180,000	66,794	246,794
2026	2.625 %	185,000	62,228	247,228
2027	2.625 %	195,000	57,241	252,241
2028	2.750 %	200,000	51,931	251,931
2029	3.000 %	205,000	46,106	251,106
2030	3.000 %	215,000	39,806	254,806
2031	3.000 %	220,000	33,281	253,281
2032	3.125 %	225,000	26,466	251,466
2033	3.125 %	230,000	19,356	249,356
2034	3.250 %	240,000	11,863	251,863
2035	3.250 %	245,000	3,981	248,981
Totals		\$ <u>3,820,000</u>	\$ <u>1,378,982</u>	\$ <u>5,198,982</u>

**NOTE 6 – LONG TERM DEBT (Continued)**

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2013.

<u>Governmental Activities</u>	<u>Debt Outstanding June 30, 2012</u>	<u>Additions of New Debt</u>	<u>Retirements and Repayments</u>	<u>Debt Outstanding June 30, 2013</u>	<u>Amounts Due Within 1 Year</u>
General Obligation Refunding Bonds Series 2010	\$ 840,000	\$ -	\$ 235,000	\$ 605,000	\$ 240,000
City Building Bonds Series 2004	390,000	-	90,000	300,000	95,000
General Obligation Refunding Bonds Series 2011	<u>3,865,000</u>	<u>-</u>	<u>45,000</u>	<u>3,820,000</u>	<u>45,000</u>
	<u>\$ 5,095,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>	<u>\$ 4,725,000</u>	<u>\$ 380,000</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, 2013, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$10,369,193.

**NOTE 7 – EMPLOYEE'S RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)**

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for 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 (COLA) are provided at the discretion of the state legislature.

**NOTE 7 – EMPLOYEE’S RETIREMENT SYSTEM (Continued)**

Non-Hazardous Contributions - For the year ended June 30, 2013, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2013, participating employers contributed 19.55% of each employee’s creditable compensation. Administrative costs of Kentucky Retirement System (KRS) are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2013, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second Year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2013, participating employers contributed 37.60% of each employee’s creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

<u>Years</u>	<u>Contribution Rate</u>	<u>Contributed</u>
2013	614,202	100%
2012	560,707	100%
2011	492,790	100%

**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, 2013.

**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 8 – 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, 2013 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 9 – 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 10 – RELATED PARTY TRANSACTIONS**

During the fiscal year ending June 30, 2013, the City of Edgewood had \$5,818 in related party transactions with Summit Fire Apparatus. Summit Fire Apparatus is owned by a council member.

**NOTE 11 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Application of these standards may require restatement of portions of these financial statements. The new accounting standard had an effect on beginning net position as of July 1, 2012 of a decrease of \$88,111.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2013, the City discovered an error in previously reported disposals and capitalization of City streets. For the year ended June 30, 2012, capital assets were understated by \$515,387. For the year ended June 30, 2012, net position increased \$515,387 due to the correction of the error.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated events through December 19, 2013, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2013 through December 19, 2013 to disclose.

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
<b>Taxes</b>				
Real Estate Tax	\$ 1,770,000	\$ 1,770,000	\$ 1,779,768	\$ 9,768
Payroll Tax	3,500,000	3,500,000	3,556,969	56,969
Net Profits Tax	187,000	187,000	276,281	89,281
Bank Deposit Tax	60,000	60,000	57,173	(2,827)
Franchise Tax	26,000	26,000	22,746	(3,254)
Cable Return	77,500	77,500	82,018	4,518
<b>Licenses and Permits</b>				
Occupational Licenses	67,500	67,500	65,043	(2,457)
ABC Licenses	7,800	7,800	7,692	(108)
Garage Permits	1,000	1,000	520	(480)
Building and Zoning	100	100	100	-
<b>Fines and Forfeitures</b>				
Real Estate Penalties and Interest	5,000	5,000	6,015	1,015
Police	1,500	1,500	803	(697)
<b>Other Revenues</b>				
Property Sale	1,000	1,000	16,500	15,500
Miscellaneous	1,500	1,500	60,111	58,611
Memorials	100	100	35	(65)
Concessions	1,200	1,200	938	(262)
Newsletter Adds	1,600	1,600	1,475	(125)
<b>Earnings on Investments</b>	9,500	9,500	17,496	7,996
<b>Intergovernmental</b>				
KLEFPF	55,800	55,800	73,640	17,840
LGEAF	300	300	254	(46)
Base Court Revenue	17,000	17,000	19,835	2,835
FD State Aid	8,500	8,500	8,250	(250)
Other Grants	817,000	817,000	236,923	(580,077)
<b>Charges for Services</b>				
Waste	657,000	657,000	615,257	(41,743)
EMS Response Fee	125,000	125,000	154,785	29,785
Contract Fire Department	100	100	510	410
Board of Adj	500	500	-	(500)
SRO Fee	28,000	28,000	33,982	5,982
Senior Center Rent	25,000	25,000	32,244	7,244
Recreational Programs	50,000	50,000	43,460	(6,540)
<b>Total Revenues</b>	<u>7,502,500</u>	<u>7,502,500</u>	<u>7,170,823</u>	<u>(331,677)</u>

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES) (Continued)**  
**GENERAL FUND**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
General Government				
Personnel	406,280	406,280	361,679	44,601
Contractual	1,001,800	1,001,800	898,111	103,689
Operation/Maintenance	219,200	219,200	159,355	59,845
Police				
Personnel	1,365,826	1,365,826	1,343,535	22,291
Contractual	59,700	59,700	91,390	(31,690)
Operation/Maintenance	138,050	138,050	101,331	36,719
Fire				
Personnel	788,794	788,794	738,758	50,036
Contractual	79,000	79,000	29,422	49,578
Operation/Maintenance	152,000	152,000	178,535	(26,535)
Public Works				
Personnel	623,020	623,020	558,440	64,580
Contractual	18,000	18,000	6,945	11,055
Operation/Maintenance	226,300	226,300	212,916	13,384
Parks				
Operation/Maintenance	30,400	30,400	34,051	(3,651)
Recreation				
Personnel	59,900	59,900	61,150	(1,250)
Operation/Maintenance	107,100	107,100	88,970	18,130
Capital Outlay	1,054,150	1,054,150	1,163,250	(109,100)
Total Expenditures	<u>6,329,520</u>	<u>6,329,520</u>	<u>6,027,838</u>	<u>301,682</u>
<b>Excess of Revenues Over Expenditures</b>	1,172,980	1,172,980	1,142,985	(29,995)
<b>Other Financing Uses</b>				
Transfers Out	<u>(473,100)</u>	<u>(473,100)</u>	<u>(555,186)</u>	<u>(82,086)</u>
<b>(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	699,880	699,880	587,799	(112,081)
<b>Fund Balance July 1, 2012</b>	<u>5,437,528</u>	<u>5,437,528</u>	<u>5,437,528</u>	<u>-</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 6,137,408</u>	<u>\$ 6,137,408</u>	<u>\$ 6,025,327</u>	<u>\$ (112,081)</u>



CITY OF EDGEWOOD, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (WITH VARIANCES)  
DEBT SERVICE FUND  
Year Ended June 30, 2013

	Budgeted Items		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Debt Service	473,100	473,100	499,280	(26,180)
<b>(Deficit) Excess of Revenues Over Expenditures</b>	(473,100)	(473,100)	(499,280)	(26,180)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	473,100	473,100	555,186	82,086
Total Other Financing Sources	473,100	473,100	555,186	82,086
<b>(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	-	55,906	55,906
<b>Fund Balance July 1, 2012</b>	-	-	-	-
<b>Fund Balance June 30, 2013</b>	\$ -	\$ -	\$ 55,906	\$ 55,906



859-341-6700      www.bramelackley.com  
1-877-585-6454      1885 Dixie Highway,  
Fax 859-578-3542      Suite 310  
info@bramelackley.com      Ft. Wright, Kentucky 41011

**INDEPENDENT AUDITORS' 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 City Council  
City of Edgewood, Kentucky**

We have audited, in accordance with the auditing standards general 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 City of Edgewood, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Edgewood, Kentucky's basic financial statements, and have issued our report thereon dated December 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit 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 the City of Edgewood, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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 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 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.

*Bramel & Ackley, P.S.C.*

December 19, 2013