

**CITY OF EDGEWOOD, KENTUCKY**

**ANNUAL FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019**

**CITY OF EDGEWOOD, KENTUCKY**  
**ANNUAL FINANCIAL STATEMENTS**

For the Year Ended June 30, 2019

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**CITY OF EDGEWOOD, KENTUCKY**

**LIST OF CITY OFFICIALS**

**For the Year Ended June 30, 2019**

**Mayor**

John D. Link

**Council Members**

Ben Barlage

Dale Henson

Joseph A. Messmer

Jeff Schreiber

Rob Thelen

Anthony C. Ward

Kim Wolking

**Department Heads**

City Administrator

Brian Dehner

Police Chief

Anthony H. Kramer

City Attorney

Frank Wichmann

City Clerk

Belinda Nitschke

Fire/EMS Chief

Chris Amon

General Services Director

Robert Begnoche

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Kentucky, as of and for the year ended June 30, 2019, 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 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Edgewood, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

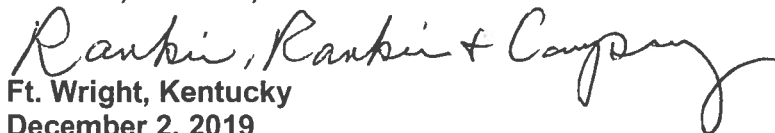
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of City contributions and net pension liability on pages 7-11 and 45-51 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 2, 2019, 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.

**RANKIN, RANKIN, & COMPANY**

  
Ft. Wright, Kentucky  
December 2, 2019

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2019. Please read it in conjunction with the City's basic financial statements that begin on page 12.

### **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 12 and 13) 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 14. 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 2019 are as follows:

- The ending cash balance for the City was \$4.69M.
- The ending investment balance for the City was \$1.65M.

### **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.

The government-wide financial statements can be found on pages 12 and 13 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 three categories: governmental, fiduciary and proprietary funds. All activities of the City are included in the governmental funds. The basic governmental fund financial statements can be found on pages 14 through 17 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 23 through 44 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 2019 compared to 2018:

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

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets	\$ 7,681,376	\$ 7,010,167
Capital assets, net	<u>22,764,005</u>	<u>23,073,012</u>
Total Assets	<u>30,445,381</u>	<u>30,083,179</u>
<b>Deferred Outflow of Resources</b>	<u>4,772,712</u>	<u>4,737,581</u>
<b>Liabilities</b>		
Current and other liabilities	972,657	714,476
Noncurrent liabilities	<u>17,464,439</u>	<u>16,584,497</u>
Total Liabilities	<u>18,437,096</u>	<u>17,298,973</u>
<b>Deferred Inflow of Resources</b>	<u>1,167,330</u>	<u>807,635</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	17,712,671	17,529,743
Restricted for debt service	55,906	55,906
Unrestricted	<u>(2,154,910)</u>	<u>(871,497)</u>
	<u>\$ 15,613,667</u>	<u>\$ 16,714,152</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 \$15.61M as of .

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 \$1.10M, partially due to \$1.39M in depreciation expense taken primarily on the City's infrastructure assets. Table 2 reflects the change in net position.

**Table 2 - Change in Net Position**

	<b>2019</b>	<b>2018</b>
General Revenues		
Taxes	\$ 7,082,836	\$ 6,735,265
Licenses and permits	85,157	78,561
Fines and forfeitures	10,007	8,634
Earnings on investments	96,792	54,705
Miscellaneous	85,110	51,439
Total General Revenues	<u>7,359,902</u>	<u>6,928,604</u>
Program Revenues		
Charges for services	1,571,253	1,238,468
Operating grants and contributions	304,611	302,781
Capital grants and contributions	257,477	56,377
Total Program Revenues	<u>2,133,341</u>	<u>1,597,626</u>
Expenses, net of program revenues		
General government	2,174,775	1,959,528
Police	2,708,020	2,221,249
Fire & EMS	2,515,810	2,082,832
Public works	1,523,679	2,233,274
Parks	105,936	120,965
Interest expense	176,635	192,483
Depreciation	1,388,873	1,290,235
Total Expenditures, net	<u>10,593,728</u>	<u>10,100,566</u>
Increase (Decrease) in Net Position	<u>\$ (1,100,485)</u>	<u>\$ (1,574,336)</u>

## 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 \$9.48M and expenditures and other financing uses of \$9.14M. Revenues increased 11% while expenses increased by 4%. The increase in expenses is due primarily to the increase in CERS pension expenses for the fiscal year.

### General Fund Budget Highlights

The City's General Fund budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning budgetary fund balance for the fiscal year was \$6.26M.

Revenues were initially budgeted at \$8.43M and amended to \$8.73M. Actual revenues were \$9.48M. The major differences came from receiving \$458K in payroll tax and \$212K in net profits tax over the amounts budgeted.

Expenditures were initially budgeted at \$9.24M and amended to \$9.53M. Actual expenditures were \$8.47M. The major differences came from expending \$720K in less for contractual services in under General Services and \$121K less in Police personnel expenses.

The ending general fund balance of \$6.95M exceeded the budgetary balance of \$4.27M, as amended.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2019, the City had \$22.76M invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2019 balances compared to fiscal year 2018.

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,671,935	\$ 1,671,935
Construction in progress	51,286	51,286
Streets	13,897,384	14,080,055
Buildings and improvements	6,148,492	6,351,723
Vehicles and equipment	804,465	662,446
Park improvements	190,443	255,567
Total Assets, net	<u>\$ 22,764,005</u>	<u>\$ 23,073,012</u>

The net change in capital assets of (\$309,007) in the current year consisted of the following capital asset activity:

**Table 4  
Change in Capital Assets During Fiscal Year**

Net additions to Infrastructure	\$ 602,167
Net additions to buildings and improvement	40,995
Net additions of vehicles and equipment	349,241
Depreciation expense	(1,388,873)
Removal of accumulated depreciation	87,463
	<u>\$ (309,007)</u>

**Table 5  
Long Term Debt at June 30,**

At , the City had \$5.34M in outstanding bonds and capital leases. The following is a summary of the City's debt transactions during the year ended June 30, 2019:

	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
Debt outstanding	<u>\$ 5,868,119</u>	<u>\$ -</u>	<u>\$ 527,511</u>	<u>\$ 5,340,608</u>

**GASB 68 Pension and GASB 75 OPEB Liability Recognition**

As of June 30, 2019, the City recognized net pension and other post-employment benefits liabilities of \$12,659,289 based on a June 30, 2018 measurement date compared to \$11,243,890 in FY 2018. Detailed information on this liability, and its associated deferred outflows and inflows can be found in Note 8 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 pensions, 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, 2019

<b>Assets</b>	<u><b>Governmental Activities</b></u>
Current Assets	
Cash and cash equivalents	\$ 4,692,488
Investments - current	1,652,592
Receivables	
Property taxes	12,026
Payroll taxes	1,173,175
Waste fees	5,825
Intergovernmental receivables	51,843
Interest receivable	13,937
Other receivables	77,465
Prepaid expenses	2,025
<b>Total Current Assets</b>	<u>7,681,376</u>
Capital Assets	
Land and construction in progress	1,723,221
Depreciable capital assets	42,393,490
Less: accumulated depreciation	<u>(21,352,706)</u>
Net Capital Assets	<u>22,764,005</u>
<b>Total Assets</b>	<u>30,445,381</u>
<b>Deferred Outflow of Resources</b>	
Discount on bonds, net	42,879
Bond refunding costs, net	246,395
Deferred outflow of resources related to pensions and other post-employment benefits	<u>4,483,438</u>
<b>Total Deferred Outflows of Resources</b>	<u>4,772,712</u>
<b>Total Assests and Deferred Outflows of Resources</b>	<u>35,218,093</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	124,159
Accrued liabilities	313,040
Current portion of bonds and leases payable	<u>535,458</u>
<b>Total Current Liabilities</b>	<u>972,657</u>
Long-term Liabilities	
Bonds and leases payable	4,805,150
Net pension and other post-employment benefits liability	<u>12,659,289</u>
<b>Total Long-Term Liabilities</b>	<u>17,464,439</u>
<b>Total Liabilities</b>	<u>18,437,096</u>
<b>Deferred Inflow of Resources</b>	
Deferred inflow of resoures related to pensions and other post-employment benefits	<u>1,167,330</u>
<b>Total Deferred Inflow of Resources</b>	<u>1,167,330</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u>19,604,426</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	17,712,671
Restricted for debt service	55,906
Unrestricted	<u>(2,154,910)</u>
<b>Total Net Position</b>	<u>\$ 15,613,667</u>

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

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General government	\$ 2,174,775	\$ 971,566	\$ 175,038	\$ -	\$ (1,028,171)
Police	2,708,020	17,978	118,573	11,243	(2,560,226)
Fire and EMS	2,515,810	530,630	11,000	-	(1,974,180)
Public works	1,523,679	-	-	246,234	(1,277,445)
Parks and recreation	105,936	51,079	-	-	(54,857)
Interest on debt service	176,635	-	-	-	(176,635)
Depreciation, unallocated	1,388,873	-	-	-	(1,388,873)
<b>Total Governmental Activities</b>	<b>\$ 10,593,728</b>	<b>\$ 1,571,253</b>	<b>\$ 304,611</b>	<b>\$ 257,477</b>	<b>(8,460,387)</b>
			<b>General Revenues</b>		
			Taxes		7,082,836
			Licenses and permits		85,157
			Investment income		96,792
			Miscellaneous		85,110
			Fines and forfeitures		10,007
			<b>Total general revenues</b>		<b>7,359,902</b>
			<b>Change in net position</b>		<b>(1,100,485)</b>
			<b>Net Position, Beginning of Year</b>		<b>16,714,152</b>
			<b>Net Position, End of Year</b>		<b>\$ 15,613,667</b>

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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> June 30, 2019
---

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 4,428,209	\$ 55,906	\$ 4,484,115
Investments	1,652,592	-	1,652,592
Receivables			
Property taxes	12,026	-	12,026
Payroll taxes	1,173,175	-	1,173,175
Waste fees	5,825	-	5,825
Intergovernmental receivables	51,843	-	51,843
Interest receivable	13,937	-	13,937
Other receivables	77,465	-	77,465
Due from other funds	5,830	-	5,830
Prepaid expenses	2,025	-	2,025
<b>Total Assets</b>	<u>\$ 7,422,927</u>	<u>\$ 55,906</u>	<u>\$ 7,478,833</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 124,159	\$ -	\$ 124,159
Accrued salaries	208,719	-	208,719
Accrued liabilities	103,029	-	103,029
Deferred revenue	36,607	-	36,607
<b>Total Liabilities</b>	<u>472,514</u>	<u>-</u>	<u>472,514</u>
<b>Fund Balances</b>			
Unspendable	2,025	-	2,025
Restricted for debt service	-	55,906	55,906
Unassigned	6,948,388	-	6,948,388
<b>Total Fund Balances</b>	<u>6,950,413</u>	<u>55,906</u>	<u>7,006,319</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,422,927</u>	<u>\$ 55,906</u>	<u>\$ 7,478,833</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>  June 30, 2019</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		\$ 7,006,319
Capital assets of \$44,116,711, less accumulated depreciation of (\$21,352,706), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,764,005
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.		36,607
Costs of issuance of debt, premiums and discounts expensed for governmental funds are carried as deferred charges in the statement of net position.		
Bond discount	\$ 63,968	
Less: accumulated amortization	<u>(21,089)</u>	42,879
Deferred refunding costs	518,637	
Less: accumulated amortization	<u>(272,242)</u>	246,395
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:		
Deferred outflows related to pension and OPEB		4,483,438
Deferred inflows related to pension and OPEB		(1,167,330)
An internal service fund is used to charge the revenues and cost of the self-insured health insurance plan. The assets and liabilities of the internal service fund must be added to the statement of net assets		201,251
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 and post-employment health insurance liability		(12,659,289)
Bonds and leases payable		<u>(5,340,608)</u>
Net position of governmental activities		<u>\$ 15,613,667</u>

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

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 7,071,006	\$ -	\$ 7,071,006
Licenses and permits	85,157	-	85,157
Fines and forfeitures	10,007	-	10,007
Other revenues	85,110	-	85,110
Investment income	96,792	-	96,792
Intergovernmental revenue	562,088	-	562,088
Charges for services	1,571,253	-	1,571,253
<b>Total Revenues</b>	<u>9,481,413</u>	<u>-</u>	<u>9,481,413</u>
<b>Expenditures</b>			
General government	2,082,812	-	2,082,812
Police	1,920,792	-	1,920,792
Fire and EMS	1,871,152	-	1,871,152
Public works	1,410,238	-	1,410,238
Parks and recreation	105,936	-	105,936
Capital outlay	1,079,866	-	1,079,866
Debt service	-	668,571	668,571
<b>Total Expenditures</b>	<u>8,470,796</u>	<u>668,571</u>	<u>9,139,367</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>1,010,617</u>	<u>(668,571)</u>	<u>342,046</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	668,571	668,571
Operating transfers out	(668,571)	-	(668,571)
<b>Total Other Financing Sources (Uses)</b>	<u>(668,571)</u>	<u>668,571</u>	<u>-</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>342,046</u>	<u>-</u>	<u>342,046</u>
<b>Fund Balance, Beginning of Year</b>	<u>6,608,367</u>	<u>55,906</u>	<u>6,664,273</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,950,413</u>	<u>\$ 55,906</u>	<u>\$ 7,006,319</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, 2019</b></p>
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Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balance - total governmental funds</b>		<b>\$ 342,046</b>
<p>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.</p>		
Capital outlays	\$ 1,079,866	
Depreciation expense	<u>(1,388,873)</u>	(309,007)
<p>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:</p>		
Costs of pension benefits earned		(1,427,910)
Costs of post employment health insurance benefits earned		(276,478)
<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 amortized interest expense.</p>		
		(32,795)
<p>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.</p>		
		(2,781)
<p>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.</p>		
		11,830
<p>An internal service fund is used to charge the revenues and cost of the self insured health insurance plan. The net revenues(expenses) of the internal service fund is reported with governmental activities</p>		
		67,098
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Bonds		165,000
Leases		<u>362,512</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ (1,100,485)</u></b>

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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF NET POSITION - INTERNAL SERVICE FUND</b> June 30, 2019
--

	<u>Self Insured Health Insurance Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 208,373
<b>Total Assets</b>	<u>208,373</u>
<b>Liabilities</b>	
Due to General Fund	5,830
Accrued expenses	<u>1,292</u>
<b>Total Liabilities</b>	<u>7,122</u>
<b>Net Position</b>	
Held for insurance claims	<u>201,251</u>
<b>Total Net Position</b>	<u><u>\$ 201,251</u></u>

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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>INTERNAL SERVICE FUND</b> <b>For the Year Ended June 30, 2019</b>
--

	<b>Self Insured Health Insurance Fund</b>
<b>Revenues</b>	
Health insurance revenue	\$ 535,713
<b>Expenditures</b>	
Administrations claims	78,349
General government claims	42,368
Police claims	122,655
Fire and EMS claims	96,288
General services claims	128,955
<b>Total Expenditures</b>	<b>468,615</b>
<b>Change in Net Position</b>	<b>67,098</b>
<b>Net Position, Beginning of Year</b>	<b>134,153</b>
<b>Net Position, End of Year</b>	<b>\$ 201,251</b>

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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>STATEMENT OF CASH FLOWS</b> <b>INTERNAL SERVICE FUND</b> For the Year Ended June 30, 2019
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	<b>Self Insured Health Insurance Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Medical premiums received	\$ 535,713
Claims paid	(461,493)
Net change in cash from operating activities	74,220
<b>Cash and Cash Equivalents, Beginning of Year</b>	134,153
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 208,373</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 67,098
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in accrued expenses	5,830
Increase (decrease) in payables to General Fund	1,292
Net change in cash from operating activities	<u>\$ 74,220</u>

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

**CITY OF EDGEWOOD, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2019

	<b>Total Retirement Plans</b>
<b>Assets</b>	
Investments - mutual funds	<u>\$ 196,748</u>
<b>Total Assets</b>	<u>196,748</u>
<b>Net Position</b>	
Held in trust for pension benefits	<u>196,748</u>
<b>Total Net Position</b>	<u><u>\$ 196,748</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> For the Year Ended June 30, 2019
--

	<b>Total Retirement Plans</b>
<b>Additions</b>	
Employee contributions	\$ 35,611
Investment gains	5,437
<b>Total Additions</b>	<u>41,048</u>
<b>Deductions</b>	
Benefits distributed	22,557
Fees	40
<b>Total Deductions</b>	<u>22,597</u>
<b>Change in Net Position</b>	18,451
<b>Net Position - Beginning of Year</b>	178,297
<b>Net Position - End of Year</b>	<u><u>\$ 196,748</u></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, 2019</b>
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**NOTE 1 – ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the (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.

The City 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, 2019</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.

**Proprietary Funds**

- (A) Internal Service Funds are used to account for goods or services shifted between departments on a cost reimbursement basis. The City has an internal service fund to account for contributions to and expenses paid from their self-insured health insurance plan.

**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. This Fiduciary Fund is detailed in **NOTE 8** below.

**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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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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.

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 five thousand dollars. Improvements that extend the life or increase the use of an asset 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. For City infrastructure, complete street replacement is capitalized while street maintenance and repaving are not capitalized.

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

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

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.

**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.

**Post-Employment Health Insurance Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

**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.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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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 yearend.

**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.

**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, 2019, \$250,000 of the City’s deposits are covered by FDIC depository insurance. The remaining \$4,442,188 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, 2019 was:

<b>Cash and cash equivalents</b>	<u>2019</u>
Cash and cash equivalents in financial institutions	\$ 4,692,188
Petty cash	300
<b>Investments</b>	
Investments in annuity and certificate of deposit	<u>1,652,592</u>
Total cash, cash equivalents, and investments	<u>\$ 6,345,080</u>

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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**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, 2019.

*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, 2019, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Investment Level</u>
Certificate of Deposit	\$ 561,645	Less than 5 years	Level 1
Annuity	1,090,947	5 years	Level 3
Total Investments	<u>\$ 1,652,592</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.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
<b>Governmental Activities</b>				
<b>Capital Assets not Depreciated</b>				
Land	\$ 1,671,935	\$ -	\$ -	\$ 1,671,935
Construction in progress	51,286	689,629	(689,629)	51,286
Total Capital Assets Not Being Depreciated	<u>1,723,221</u>	<u>689,629</u>	<u>(689,629)</u>	<u>1,723,221</u>
<b>Depreciable Capital Assets</b>				
Infrastructure	25,756,433	689,629	(87,462)	26,358,600
Buildings & improvements	9,463,613	40,996	(1)	9,504,608
Vehicles & equipment	4,246,160	349,241	-	4,595,401
Park improvements	1,934,881	-	-	1,934,881
Total Depreciable Capital Assets	<u>41,401,087</u>	<u>1,079,866</u>	<u>(87,463)</u>	<u>42,393,490</u>
Total Capital Assets at Historical Cost	<u>43,124,308</u>	<u>1,769,495</u>	<u>(777,092)</u>	<u>44,116,711</u>
Less Accumulated Depreciation				
Infrastructure	11,676,379	872,300	(87,463)	12,461,216
Buildings & improvements	3,111,889	244,227	-	3,356,116
Vehicles & equipment	3,583,714	207,222	-	3,790,936
Park improvements	1,679,314	65,124	-	1,744,438
Total Accumulated Depreciation	<u>20,051,296</u>	<u>1,388,873</u>	<u>(87,463)</u>	<u>21,352,706</u>
<b>Depreciable Capital Assets, Net</b>	<u>21,349,791</u>	<u>(309,007)</u>	<u>-</u>	<u>21,040,784</u>
<b>Total Capital Assets, Net</b>	<u>\$ 23,073,012</u>	<u>\$ 380,622</u>	<u>\$ (689,629)</u>	<u>\$ 22,764,005</u>

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

**NOTE 6 – LONG TERM DEBT**

**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:



<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	2.0%	\$ 165,000	\$ 85,156	\$ 250,156
2021	2.0%	170,000	81,806	251,806
2022	2.0%	170,000	78,406	248,406
2023	2.4%	175,000	74,956	249,956
2024	2.4%	180,000	71,069	251,069
2025-2029	2.4%	965,000	284,300	1,249,300
2030-2034	2.4-3.3%	1,130,000	130,772	1,260,772
2035	3.3%	245,000	3,981	248,981
		<u>\$ 3,200,000</u>	<u>\$ 810,446</u>	<u>\$ 4,010,446</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
2020	2.18%	\$ 370,458	\$ 44,657	\$ 415,115
2021	2.18%	378,578	36,537	415,115
2022	2.18%	386,876	28,239	415,115
2023	2.18%	395,356	19,759	415,115
2024	2.18%	404,021	11,094	415,115
2025	2.18%	205,319	2,238	207,557
		<u>\$ 2,140,608</u>	<u>\$ 142,524</u>	<u>\$ 2,283,132</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, 2019, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$7,271,325

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

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

Type of Debt	Debt Outstanding June 30, 2018	Additions of New Debt	Repayments	Debt Outstanding June 30, 2019	Amounts Due Within 1 Year
General Obligation Refunding Bonds Series 2011	\$ 3,365,000	\$ -	\$ 165,000	\$ 3,200,000	\$ 165,000
BB&T Capital Lease 2016	2,503,119	-	362,511	2,140,608	370,458
	<u>\$ 5,868,119</u>	<u>\$ -</u>	<u>\$ 527,511</u>	<u>\$ 5,340,608</u>	<u>\$ 535,458</u>

**NOTE 7 – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

*Plan description* - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) 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/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications.

**PENSION PLAN**

**Non-Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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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
	Reduced retirement	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 years of 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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death 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 pension plan contributions by the employee are based on the tier:

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

### **Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit or 55 years old
	Reduced retirement	15 years service and 50 years old or any age with 20 years service
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old
	Reduced retirement	15 years service and 50 years old or any age with 25 years service
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	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 years of 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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death 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 pension plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

### Contributions

For non-hazardous duty employees, the City contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019. For hazardous duty employees, the City contributed 35.33%, of which 24.86% was for the pension fund and 10.47% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$188,709, of which \$142,498 was for the pension fund and \$46,211 was for the

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$631,499, of which \$444,355 was for the pension fund and \$187,144 was for the health insurance fund.

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

At June 30, 2019, the City reported a liability of \$9,781,056 (\$1,968,569 – non-hazardous and \$7,812,487 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2018, the City's non-hazardous employer allocation proportion was 0.03232% of the total CERS non-hazardous duty employees and 0.323036% of the total CERS hazardous duty employees. For the year ended June 30, 2019, the City recognized pension expense of \$1,427,910 in addition to its \$586,853 pension contribution.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 64,209	\$ (28,816)	\$ 621,742	\$ -	\$ 685,951	\$ (28,816)
Net difference between projected actual earnings on plan investments	91,540	(115,144)	289,572	(377,693)	381,112	(492,837)
Changes of assumptions	192,386	-	831,613	-	1,023,999	-
Changes in proportion and differences between contributions and proportionate share of contributions	194,449	(2,104)	378,918	(51,578)	573,367	(53,682)
Contributions subsequent to the measurement date	142,498	-	444,355	-	586,853	-
	<u>\$ 685,082</u>	<u>\$(146,064)</u>	<u>\$ 2,566,200</u>	<u>\$(429,271)</u>	<u>\$ 3,251,282</u>	<u>\$(575,335)</u>

The City's contributions subsequent to the measurement date of \$586,853 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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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
2019	\$ 1,380,303
2020	724,822
2021	29,814
2022	(45,845)
	<u>\$ 2,089,094</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, 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

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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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

There have been no changes in actuarial assumptions since June 2017. In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

### Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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**Sensitivity of the Program’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Program’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Program’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 2,478,225	\$ 1,968,569	\$ 1,541,567
Hazardous	9,788,534	7,812,487	6,178,913
<b>Total</b>	<b>\$ 12,266,759</b>	<b>\$ 9,781,056</b>	<b>\$ 7,720,480</b>

**HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

**Non-Hazardous OPEB Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.



<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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*Contributions* – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

### Hazardous OPEB Plan Description

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.

*Contributions* – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

**Contributions**

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2019, was 5.26% of covered-employee payroll for non-hazardous duty employees and 10.47% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$46,211 for non-hazardous duty employees and \$187,144 for hazardous duty employees for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2018, the City's non-hazardous employer allocation proportion was 0.03232% of the total CERS non-hazardous duty employees and 0.323036% of the total CERS hazardous duty employees. For the year ended June 30, 2019, the City recognized OPEB expense of \$276,479 in addition to its \$233,355 OPEB contribution.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ (66,918)	\$ -	\$ (257,480)	\$ -	\$ (324,398)
Net difference between projected actual earnings on plan investments	-	(39,553)	-	(219,037)	-	(258,590)
Changes of assumptions	114,681	(1,327)	707,036	(6,302)	821,717	(7,629)
Changes in proportion and differences between contributions and proportionate share of contributions	70,463	(1,027)	106,621	(351)	177,084	(1,378)
Contributions subsequent to the measurement date	46,211	-	187,144	-	233,355	-
	<u>\$ 231,355</u>	<u>\$ (108,825)</u>	<u>\$ 1,000,801</u>	<u>\$ (483,170)</u>	<u>\$ 1,232,156</u>	<u>\$ (591,995)</u>

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2019</b>
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The City's contributions subsequent to the measurement date, \$46,211 for non-hazardous duty employees and \$187,144 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 183,315
2020	183,315
2021	56,142
2022	(24,207)
2023	8,035
Thereafter	206
	<u>\$ 406,806</u>

### Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	27 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

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>	<u>CERS Pensions (Haz &amp; Non-Haz) Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

**Changes of Assumptions**

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

In 2018, the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.84% to 5.85%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.85% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Program's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.85% for the non-hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.85%	5.85%	6.85%
Net OPEB liability, non-hazardous	\$ 745,827	\$ 574,226	\$ 428,053
Discount rate, hazardous	4.97%	5.97%	6.97%
Net OPEB liability, hazardous	3,202,683	2,304,007	1,584,593
Total	\$ 3,948,510	\$ 2,878,233	\$ 2,012,646

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 427,517	\$ 574,226	\$ 747,153
Net OPEB liability, hazardous	1,569,140	2,304,007	3,214,170
Total	\$ 1,996,657	\$ 2,878,233	\$ 3,961,323

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**NOTE 8 – SECTION 457 RETIREMENT PLAN**

The City also offers, on a voluntary basis, an IRS Section 457 retirement plan, through an independent plan provider, for its employees. A Section 457 plan is a non-qualified, tax advantaged, deferred compensation retirement plan that is available to governmental employers in the United States. The City provides the plan and employees who wish to participate defer compensation into it on a pre-tax or after-tax (Roth) basis. This plan is held by the City as a fiduciary fund, as noted in NOTE A, but is wholly owned by the employees who participate and is not an asset of the City. The total net position of this fund at June 30, 2019 was \$196,748.

**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.

**CITY OF EDGEWOOD, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2019**

Management estimates that the amount of actual or potential claims against the City as of June 30, 2019 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. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2019

Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2019

**NOTE 12 – FUTURE ACCOUNTING STANDARDS**

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

Statement No. 90 – *Majority Equity Interests* – Implementation in 2020

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2022

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated events through December 2, 2019, the date on which the financial statements were available for issue. The City has no subsequent events from June 30, 2019 through December 2, 2019 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, 2019

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	<u>\$ 6,263,984</u>	<u>\$ -</u>	<u>\$ 6,263,984</u>	<u>\$ 6,608,367</u>	<u>\$ 344,383</u>
<b>Resources (inflows):</b>					
<b>Taxes</b>					
Real estate tax	1,900,000	-	1,900,000	1,924,555	24,555
Payroll tax	4,000,000	-	4,000,000	4,458,227	458,227
Net profits tax	300,000	-	300,000	512,029	212,029
Bank deposit tax	50,000	-	50,000	61,119	11,119
Franchise tax	60,000	-	60,000	20,728	(39,272)
Cable return	85,000	-	85,000	94,348	9,348
<b>Licenses and permits</b>					
Occupational licenses	75,000	-	75,000	73,290	(1,710)
ABC licenses	9,000	-	9,000	9,705	705
Garage permits	500	-	500	332	(168)
Building and zoning	100	-	100	1,830	1,730
<b>Fines and forfeitures</b>					
Real estate penalties and interest	15,000	-	15,000	8,500	(6,500)
Police	500	-	500	1,507	1,007
<b>Other revenues</b>					
Sale of property	1,000	-	1,000	-	(1,000)
Memorials	100	-	100	535	435
Concessions	1,000	-	1,000	237	(763)
Newsletter advertisements	2,500	-	2,500	2,350	(150)
Public safety donation	1,000	-	1,000	2,787	1,787
Miscellaneous	40,000	-	40,000	79,201	39,201
<b>Investment income, other financing</b>	<u>23,000</u>	<u>-</u>	<u>23,000</u>	<u>96,792</u>	<u>73,792</u>
<b>Intergovernmental</b>					
Police and fire state incentives	100,000	-	100,000	118,573	18,573
Municipal road aid	130,000	-	130,000	175,038	45,038
Base court revenue	10,000	-	10,000	11,243	1,243
Fire department state aid	11,000	-	11,000	11,000	-
Other grants	201,166	298,834	500,000	246,234	(253,766)
<b>Charges for services</b>					
Waste	800,000	-	800,000	819,864	19,864
EMS response fee	250,000	-	250,000	306,621	56,621
Contract fire department	220,000	-	220,000	224,009	4,009
Police special duty	15,000	-	15,000	17,978	2,978
SRO fee	40,000	-	40,000	89,758	49,758
Facility rental	40,000	-	40,000	61,944	21,944
Recreation programs	50,000	-	50,000	51,079	1,079
Total resources (inflows)	<u>8,430,866</u>	<u>298,834</u>	<u>8,729,700</u>	<u>9,481,413</u>	<u>751,713</u>
<b>Amounts available for appropriation</b>	<u>14,694,850</u>	<u>298,834</u>	<u>14,993,684</u>	<u>16,089,780</u>	<u>1,096,096</u>

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

Continued on next page

**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, 2019**

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Charges to appropriations (outflows):</b>					
<b>Administration</b>					
Personnel	\$ 543,252	\$ -	\$ 543,252	\$ 551,424	\$ (8,172)
Operations & Maintenance	96,250	-	96,250	66,917	29,333
<b>General government</b>					
Contractual	429,300	-	429,300	383,005	46,295
Parks & Recreation	191,000	-	191,000	146,932	44,068
Operations & Maintenance	1,073,900	-	1,073,900	1,081,466	(7,566)
<b>Police</b>					
Personnel	1,795,460	90,744	1,886,204	1,765,629	120,575
Contractual	16,500	-	16,500	14,576	1,924
Operations & Maintenance	253,800	-	253,800	201,386	52,414
<b>Fire and EMS</b>					
Personnel	1,497,515	-	1,497,515	1,445,463	52,052
Contractual	8,000	-	8,000	8,000	-
Operations & Maintenance	279,300	-	279,300	271,885	7,415
FEMA Safer Grant	-	172,500	172,500	203,984	(31,484)
<b>General services</b>					
Personnel	780,494	-	780,494	745,125	35,369
Contractual Services	1,904,000	-	1,904,000	1,184,324	719,676
Operations & Maintenance	396,200	-	396,200	400,680	(4,480)
<b>Total charges to appropriations</b>	<b>9,264,971</b>	<b>263,244</b>	<b>9,528,215</b>	<b>8,470,796</b>	<b>1,057,419</b>
Interfund transfers	(1,200,000)	-	(1,200,000)	(668,571)	531,429
<b>Budgetary fund balance, June 30</b>	<b>\$ 4,229,879</b>	<b>\$ 35,590</b>	<b>\$ 4,265,469</b>	<b>\$ 6,950,413</b>	<b>\$ 2,684,944</b>

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



**CITY OF EDGEWOOD, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS**  
For the Year Ended June 30, 2019

	Schedule of the City's Proportionate Share of the Net Pension Liability						
	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.032320%	0.027180%	0.026260%	0.026721%	0.023916%		
Proportionate share of the net pension liability (asset)	\$ 1,968,569	\$ 1,590,929	\$ 1,292,919	\$ 1,148,876	\$ 775,925		
Covered payroll in year of measurement	771,608	665,104	626,489	670,051	548,671		
Share of the net pension liability (asset) as a percentage of its covered payroll	255.13%	239.20%	206.38%	171.46%	141.42%		
Plan fiduciary net position as a percentage of total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%		
	Schedule of the City's Contributions						
	County Employees' Retirement System (CERS)						
	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 142,498	\$ 111,729	\$ 92,782	\$ 77,810	\$ 85,431	\$ 75,387	
Actual contribution	142,498	111,729	92,782	77,810	85,431	75,387	
Contribution deficiency (excess)	-	-	-	-	-	-	
Covered payroll	878,531	771,608	665,104	626,489	670,051	548,671	
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%	

**Notes to Required Supplementary Information**  
For the Year Ended June 30, 2019

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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, 2019

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.32304%	0.29722%	0.30629%	0.29756%	0.267758%					
Proportionate share of the net pension liability (asset)	\$ 7,812,487	\$ 6,649,550	\$ 5,255,708	\$ 4,567,926	\$ 3,217,984					
Covered payroll in year of measurement	1,811,228	1,696,421	1,623,930	1,401,874	1,356,182					
Share of the net pension liability (asset) as a percentage of its covered payroll	431.34%	391.98%	323.64%	325.84%	237.28%					
Plan fiduciary net position as a percentage of total pension liability	49.26%	53.95%	53.95%	57.52%	63.46%					
	<b>Schedule of the City's Contributions</b>									
	<b>County Employees' Retirement System (CERS)</b>									
Contractually required contribution	\$ 444,355	\$ 402,093	\$ 368,293	\$ 329,008	\$ 321,730	\$ 295,241				
Actual contribution	444,355	402,093	368,293	329,008	321,730	295,241				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	1,787,431	1,811,228	1,696,421	1,623,930	1,401,874	1,356,182				
Contributions as a percentage of covered payroll	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%				

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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 OPEB PLAN DISCLOSURE - NON-HAZARDOUS**  
 For the Year Ended June 30, 2019

	Schedule of the City's Proportionate Share of the Net OPEB Liability									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.032340%	0.027180%								
Proportionate share of the net OPEB liability (asset)	\$ 574,226	\$ 546,411								
Covered payroll in year of measurement	771,608	665,104								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.42%	82.15%								
Plan fiduciary net position as a percentage of total OPEB liability	57.62%	52.40%								
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 46,211	\$ 36,266	\$ 31,459							
Actual contribution	46,211	36,266	31,459							
Contribution deficiency (excess)	-	-	-							
Covered payroll	878,531	771,608	665,104							
Contributions as a percentage of covered payroll	5.26%	4.70%	4.73%							

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the OPEB 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 OPEB PLAN DISCLOSURE - HAZARDOUS**  
**For the Year Ended June 30, 2019**

*This disclosure is a new requirement in FY 2018, the 10 year schedule will fill in over time.*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.32316%	0.29722%								
Proportionate share of the net OPEB liability (asset)	\$ 2,304,007	\$ 2,457,000								
Covered payroll in year of measurement	1,811,228	1,696,421								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	127.21%	144.83%								
Plan fiduciary net position as a percentage of total OPEB liability	64.24%	59.00%								

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 187,144	\$ 169,350	\$ 158,615						
Actual contribution	187,144	169,350	158,615						
Contribution deficiency (excess)	-	-	-						
Covered payroll	1,787,431	1,811,228	1,696,421						
Contributions as a percentage of covered payroll	10.47%	9.35%	9.35%						

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

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the OPEB 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.

<b>CITY OF EDGEWOOD, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND</b> <b>For the Year Ended June 30, 2019</b>
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	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	\$ -	\$ -	\$ -	\$ 55,906	\$ 55,906
<b>Resources (inflows):</b>					
Investment income	-	-	-	-	-
Total resources (inflows)	-	-	-	-	-
<b>Amounts available for appropriation</b>	-	-	-	55,906	55,906
<b>Charges to appropriations (outflows):</b>					
Debt service expenditures	500,000	-	500,000	666,821	(166,821)
<b>Total charges to appropriations</b>	500,000	-	500,000	666,821	(166,821)
Operating transfers in	500,000	-	500,000	666,821	166,821
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,906</u>	<u>\$ 55,906</u>

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

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

**To the Mayor and  
Members of City Council  
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, each major fund, and the aggregate remaining fund information of City of Edgewood, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 2, 2019.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the 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 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.

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*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.

**RANKIN, RANKIN & COMPANY**

A handwritten signature in cursive script that reads "Rankin, Rankin &amp; Company".

**Ft. Wright, Kentucky  
December 2, 2019**