

CITY OF EDGEWOOD, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2020

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CITY OF EDGEWOOD, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2020

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

Brian Zurborg

City Attorney

Frank Wichmann

City Clerk

Belinda Nitschke

Fire/EMS Chief

Tom Dickman

General Services Director

Hillard Vance

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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, 2020, 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.



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, 2020, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edgewood, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, 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

Rankin, Rankin & Company
Ft. Wright, Kentucky
November 12, 2020

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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, 2020. 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 2020 are as follows:

- The ending cash balance for the City was \$5.31M.
- The ending investment balance for the City was \$2.11M.

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 46 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 2020 compared to 2019:

Table 1 – Net Position of Governmental Activities

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 9,263,051	\$ 7,681,376
Capital assets, net	<u>22,242,397</u>	<u>22,764,005</u>
Total Assets	<u>31,505,448</u>	<u>30,445,381</u>
Deferred Outflow of Resources	<u>3,974,206</u>	<u>4,772,712</u>
Liabilities		
Current and other liabilities	1,324,648	972,657
Noncurrent liabilities	<u>17,983,541</u>	<u>17,464,439</u>
Total Liabilities	<u>19,308,189</u>	<u>18,437,096</u>
Deferred Inflow of Resources	<u>1,188,493</u>	<u>1,167,330</u>
Net Position		
Invested in capital assets, net of related debt	17,690,945	17,712,671
Restricted for debt service	55,906	55,906
Unrestricted	<u>(2,763,879)</u>	<u>(2,154,910)</u>
	<u>\$ 14,982,972</u>	<u>\$ 15,613,667</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 \$14.98M as of June 30, 2020, a \$631K decrease from the prior year.

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

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

Total assets increased \$1.06K, partially due to \$1.58M in current assets (cash, investments and receivables). This is due to the \$628K received as part of the Coronavirus Relief-CARES Act funding. See Note 15 to the financial statements. Table 2 reflects the change in net position.

Table 2 - Change in Net Position

General Revenues	2020	2019
Taxes	\$ 7,083,486	\$ 7,082,836
Licenses and permits	76,330	85,157
Fines and forfeitures	12,020	10,007
Earnings on investments	59,236	96,792
Miscellaneous	31,822	85,110
Total General Revenues	<u>7,262,894</u>	<u>7,359,902</u>
Program Revenues		
Charges for services	1,552,156	1,571,253
Operating grants and contributions	330,242	304,611
Capital grants and contributions	893,865	257,477
Total Program Revenues	<u>2,776,263</u>	<u>2,133,341</u>
Expenses, net of program revenues		
General government	2,127,408	2,174,775
Police	2,690,599	2,708,020
Fire & EMS	2,667,842	2,515,810
Public works	1,502,581	1,523,679
Parks	111,856	105,936
Interest expense	165,389	176,635
Depreciation	1,404,179	1,388,873
Total Expenditures, net	<u>10,669,854</u>	<u>10,593,728</u>
Increase (Decrease) in Net Position	<u>\$ (630,697)</u>	<u>\$ (1,100,485)</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 \$10.04M and expenditures and other financing uses of \$8.81M. Revenues increased 5.7% while expenses decreased by 3.6%. The decrease in expenses is due primarily to the \$200K less in capital expenditures for the current 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 \$6.95M.

Revenues were initially budgeted at \$9.21M and were not amended. Actual revenues were \$10.0M. The major differences came from receiving \$628K in CARES Act funding..

Expenditures were initially budgeted at \$9.88M and were not amended. Actual expenditures were \$8.15M. The major differences came from expending \$801K less for contractual services in General Services and \$193K less in Fire operations and maintenance expense, and \$135K less in Police personnel expenses.

The ending general fund balance of \$8.18M exceeded the budgetary balance by \$2.58M.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the City had \$22.24M invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2020 balances compared to fiscal year 2019.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,671,935	\$ 1,671,935
Construction in progress	499,585	51,286
Streets	13,284,643	13,897,384
Buildings and improvements	5,903,929	6,148,492
Vehicles and equipment	756,986	804,465
Park improvements	125,319	190,443
Total Assets, net	<u>\$ 22,242,397</u>	<u>\$ 22,764,005</u>

The net change in capital assets of (\$521,608) in the current year consisted of the following capital asset activity:

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

Net additions to Infrastructure	\$ 727,758
Net additions to buildings and improvement	(496,060)
Net additions of vehicles and equipment	(14,664)
Depreciation expense	(1,404,179)
Removal of accumulated depreciation	665,537
	<u>\$ (521,608)</u>

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

At , the City had \$4.805M in outstanding bonds and capital leases. The following is a summary of the City's debt transactions during the year ended June 30, 2020:

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
Debt outstanding	<u>\$ 5,340,608</u>	<u>\$ -</u>	<u>\$ 535,458</u>	<u>\$ 4,805,150</u>

GASB 68 Pension and GASB 75 OPEB Liability Recognition

As of June 30, 2020, the City recognized net pension and other post-employment benefits liabilities of \$13,726,969 based on a June 30, 2019 measurement date compared to \$12,659,289 in FY 2019. 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

City management is continuing to assess the potential effects of the COVID-19 Global Pandemic on the City's finances. The FY 2021 budget has taken a conservative approach to revenues as well as expenditures. While payroll tax revenues in the City should remain strong, occupational licenses and business tax revenue may see a slight decrease. FY 2021 will also see a significant increase in federal funding, \$2.6M, for the rebuilding of Dudley Road through the City. City management believes that the City is well positioned to weather any significant, short-term financial upheaval due to the Pandemic or other societal factors.

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, 2020

Assets	Governmental Activities
Current Assets	
Cash and cash equivalents	\$ 5,312,532
Investments - current	2,112,221
Receivables	
Property taxes	21,072
Payroll taxes	1,025,120
Waste fees	8,369
Intergovernmental receivables	744,155
Interest receivable	3,191
Other receivables	32,909
Prepaid expenses	3,482
Total Current Assets	9,263,051
Capital Assets	
Land and construction in progress	2,171,520
Depreciable capital assets	42,162,225
Less: accumulated depreciation	(22,091,348)
Net Capital Assets	22,242,397
Total Assets	31,505,448
Deferred Outflow of Resources	
Discount on bonds, net	40,098
Bond refunding costs, net	213,600
Deferred outflow of resources related to pensions and other post-employment benefits	3,720,508
Total Deferred Outflows of Resources	3,974,206
Total Assets and Deferred Outflows of Resources	35,479,654
Liabilities	
Current Liabilities	
Accounts payable	225,457
Accrued liabilities	485,532
Compensated absences	65,081
Current portion of bonds and leases payable	548,578
Total Current Liabilities	1,324,648
Long-term Liabilities	
Bonds and leases payable	4,256,572
Net pension and other post-employment benefits liability	13,726,969
Total Long-Term Liabilities	17,983,541
Total Liabilities	19,308,189
Deferred Inflow of Resources	
Deferred inflow of resources related to pensions and other post-employment benefits	1,188,493
Total Deferred Inflow of Resources	1,188,493
Total Liabilities and Deferred Inflow of Resources	20,496,682
Net Position	
Invested in capital assets, net of related debt	17,690,945
Restricted for debt service	55,906
Unrestricted	(2,763,879)
Total Net Position	\$ 14,982,972

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

CITY OF EDGEWOOD, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

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
Primary Government					
Governmental Activities					
General government	\$ 2,127,408	\$ 955,022	\$ 167,848	\$ -	\$ (1,004,538)
Police	2,690,599	12,360	151,394	327,654	(2,199,191)
Fire and EMS	2,667,842	551,349	11,000	313,979	(1,791,514)
Public works	1,502,581	-	-	252,232	(1,250,349)
Parks and recreation	111,856	33,425	-	-	(78,431)
Interest on debt service	165,389	-	-	-	(165,389)
Depreciation, unallocated	1,404,179	-	-	-	(1,404,179)
Total Governmental Activities	\$ 10,669,854	\$ 1,552,156	\$ 330,242	\$ 893,865	(7,893,591)
			General Revenues		
			Taxes		7,083,486
			Licenses and permits		76,330
			Investment income		59,236
			Miscellaneous		31,822
			Fines and forfeitures		12,020
			Total general revenues		7,262,894
			Change in net position		(630,697)
			Net Position, Beginning of Year		15,613,667
			Net Position, End of Year		\$ 14,982,970

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

CITY OF EDGEWOOD, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020
--

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,967,643	\$ 55,906	\$ 5,023,549
Investments	2,112,221	-	2,112,221
Receivables			
Property taxes	21,072	-	21,072
Payroll taxes	1,025,120	-	1,025,120
Waste fees	8,369	-	8,369
Intergovernmental receivables	744,155	-	744,155
Interest receivable	3,191	-	3,191
Other receivables	32,909	-	32,909
Due from other funds	5,830	-	5,830
Prepaid expenses	3,482	-	3,482
Total Assets	\$ 8,923,992	\$ 55,906	\$ 8,979,898
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 225,457	\$ -	\$ 225,457
Accrued salaries	254,196	-	254,196
Accrued liabilities	231,336	-	231,336
Deferred revenue	35,040	-	35,040
Total Liabilities	746,029	-	746,029
Fund Balances			
Unspendable	3,482	-	3,482
Restricted for debt service	-	55,906	55,906
Unassigned	8,174,481	-	8,174,481
Total Fund Balances	8,177,963	55,906	8,233,869
Total Liabilities and Fund Balances	\$ 8,923,992	\$ 55,906	\$ 8,979,898

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

<p>CITY OF EDGEWOOD, KENTUCKY RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020</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		\$ 8,233,869
Capital assets of \$43,553,490, less accumulated depreciation of (\$22,076,382), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,242,397
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.		35,040
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>(23,870)</u>	40,098
Deferred refunding costs	518,637	
Less: accumulated amortization	<u>(305,037)</u>	213,600
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		3,720,508
Deferred inflows related to pension and OPEB		<u>(1,188,493)</u>
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		283,153
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.		
Compensated absences		(65,081)
Net pension and post-employment health insurance liability		<u>(13,726,969)</u>
Bonds and leases payable		<u>(4,805,150)</u>
Net position of governmental activities		<u>\$ 14,982,972</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, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Taxes	\$ 7,085,053	\$ -	\$ 7,085,053
Licenses and permits	76,330	-	76,330
Fines and forfeitures	12,020	-	12,020
Other revenues	31,822	-	31,822
Investment income	59,236	-	59,236
Intergovernmental revenue	596,148	-	596,148
Charges for services	1,552,156	-	1,552,156
Total Revenues	9,412,765	-	9,412,765
Expenditures			
General government	2,002,731	-	2,002,731
Police	1,906,504	-	1,906,504
Fire and EMS	1,896,853	-	1,896,853
Public works	1,347,388	-	1,347,388
Parks and recreation	111,856	-	111,856
Capital outlay	882,571	-	882,571
Debt service	-	665,271	665,271
Total Expenditures	8,147,903	665,271	8,813,174
Excess (Deficit) of Revenues Over Expenditures	1,264,862	(665,271)	599,591
Other Financing Sources (Uses)			
Other financing source-CARES Act	627,959	-	627,959
Operating transfers in	-	665,271	665,271
Operating transfers out	(665,271)	-	(665,271)
Total Other Financing Sources (Uses)	(37,312)	665,271	627,959
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	1,227,550	-	1,227,550
Fund Balance, Beginning of Year	6,950,413	55,906	7,006,319
Fund Balance, End of Year	\$ 8,177,963	\$ 55,906	\$ 8,233,869

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

<p>CITY OF EDGEWOOD, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020</p>
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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds **\$ 1,227,550**

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

Capital outlays	\$ 882,571	
Depreciation expense	<u>(1,404,179)</u>	(521,608)

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:

Costs of pension benefits earned	(1,623,433)
Costs of post employment health insurance benefits earned	(228,341)

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. (32,795)

The bond premium/discount is reported for governmental activities as a deferred inflow/outflow and amortized over the life of the bond and it is a component of interest expense, but is not reported in the governmental funds. This is the amortized interest expense. (2,781)

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. (1,567)

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 81,902

Some expenses reported in the statement of activities do not require the use of current financial and therefore are not reported as expenditures in governmental funds such as compensated absences. (65,081)

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

Bonds	165,000
Leases	<u>370,458</u>

Change in net position of governmental activities **\$ (630,696)**

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF NET POSITION - INTERNAL SERVICE FUND June 30, 2020

	Self Insured Health Insurance Fund
Assets	
Cash and cash equivalents	\$ 288,983
Total Assets	<u>288,983</u>
Liabilities	
Accrued liabilities	-
Due to General Fund	<u>5,830</u>
Total Liabilities	<u>5,830</u>
Net Position	
Held for insurance claims	<u>283,153</u>
Total Net Position	<u><u>\$ 283,153</u></u>

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUND For the Year Ended June 30, 2020
--

	Self Insured Health Insurance Fund
Revenues	
Health insurance revenue	\$ 528,246
Interest income	2,218
Total Revenues	<u>530,464</u>
Expenditures	
Administrations claims	64,591
General government claims	51,990
Police claims	176,380
Fire and EMS claims	89,011
General services claims	66,289
Bank charges	301
Total Expenditures	<u>448,562</u>
Change in Net Position	81,902
Net Position, Beginning of Year	201,251
Net Position, End of Year	<u>\$ 283,153</u>

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF CASH FLOWS INTERNAL SERVICE FUND For the Year Ended June 30, 2020
--

	Self Insured Health Insurance Fund
Cash Flows From Operating Activities:	
Medical premiums received	\$ 530,464
Claims paid	(449,854)
Net change in cash from operating activities	80,610
Cash and Cash Equivalents, Beginning of Year	208,373
Cash and Cash Equivalents, End of Year	\$ 288,983
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 81,902
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in accrued expenses	(1,292)
Increase (decrease) in payables to General Fund	-
Net change in cash from operating activities	\$ 80,610

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Total Retirement Plans
Assets	
Investments - mutual funds	<u>\$ 159,807</u>
Total Assets	<u>159,807</u>
Net Position	
Held in trust for pension benefits	<u>159,807</u>
Total Net Position	<u><u>\$ 159,807</u></u>

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF CHANGES IN FIDUCIARY NET POSITION For the Year Ended June 30, 2020

	Total Retirement Plans
Additions	
Employee contributions	\$ 43,787
Investment gains (losses)	(587)
Total Additions	<u>43,200</u>
Deductions	
Benefits distributed	80,061
Fees	80
Total Deductions	<u>80,141</u>
Change in Net Position	(36,941)
Net Position - Beginning of Year	196,748
Net Position - End of Year	<u>\$ 159,807</u>

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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

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 .

The 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.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

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 9** 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 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,

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

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.

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's General Fund has a receivable due from the Health Insurance Fund (internal service fund) of \$5,830.

Property Tax Receivable

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. For the 2019-2020 tax year, the total real property tax assessments were \$1,174,586,750 and tangible tax assessments were \$793,719,619.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items. These prepaids are amortized over the contract period.

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 greater than \$5,000 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.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

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

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

Accrued Liabilities and Long-Term Obligations

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

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.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

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.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are fair market value at the end of the year; Level 3 inputs are significant unobservable inputs.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

As of June 30, 2020, the City had the following recurring fair value measurements:

Deposits & Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
Government bonds	\$ 604,118	\$ -	\$ 604,118	\$ -
Corporate bonds	200,077	-	200,077	-
Total debt securities	804,195	-	804,195	-
Equity securities:				
Mutual funds	193,078	193,078	-	-
Total equity securities	193,078	193,078	-	-
Subtotal investments	997,273	193,078	804,195	-
Cash and Cash Equivalents				
Cash	5,023,549	5,023,549	-	-
Annuity investment	1,114,948	-	-	1,114,948
Total Deposits & Investments	\$ 7,135,770	\$ 5,216,627	\$ 804,195	\$ 1,114,948

Interest rate risk. In accordance with the City's investment policy, interest rate risk is controlled thru maturity diversification by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits will 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, 2020, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

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 that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2020 in the amount of \$997,273 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

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 2020.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Governmental Activities				
Capital Assets not Depreciated				
Land	\$ 1,671,935	\$ -	\$ -	\$ 1,671,935
Construction in progress	51,286	448,299	-	499,585
Total Capital Assets Not Being Depreciated	<u>1,723,221</u>	<u>448,299</u>	<u>-</u>	<u>2,171,520</u>
Depreciable Capital Assets				
Infrastructure	26,358,600	279,459	-	26,638,059
Buildings & improvements	9,504,608	-	-	9,504,608
Vehicles & equipment	4,595,401	154,813	(650,873)	4,099,341
Park improvements	1,934,881	-	(14,664)	1,920,217
Total Depreciable Capital Assets	<u>42,393,490</u>	<u>434,272</u>	<u>(665,537)</u>	<u>42,162,225</u>
Total Capital Assets at Historical Cost	<u>44,116,711</u>	<u>882,571</u>	<u>(665,537)</u>	<u>44,333,745</u>
Less Accumulated Depreciation				
Infrastructure	12,461,216	892,200	-	13,353,416
Buildings & improvements	3,356,116	244,563	-	3,600,679
Vehicles & equipment	3,790,936	202,292	(650,873)	3,342,355
Park improvements	1,744,438	65,124	(14,664)	1,794,898
Total Accumulated Depreciation	<u>21,352,706</u>	<u>1,404,179</u>	<u>(665,537)</u>	<u>22,091,348</u>
Depreciable Capital Assets, Net	<u>21,040,784</u>	<u>(969,907)</u>	<u>-</u>	<u>20,070,877</u>
Total Capital Assets, Net	<u>\$ 22,764,005</u>	<u>\$ (521,608)</u>	<u>\$ -</u>	<u>\$ 22,242,397</u>

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

NOTE 6 – LINE OF CREDIT

The City has a non-revolving line of credit with Branch Banking & Trust Company for \$4,100,000 with a prime rate of 3.15%. At June 30, 2020, the amount outstanding on the line of credit was \$0.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

NOTE 7 – 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:

Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	2.4%	180,000	66,794	246,794
2026-2030	2.4%	1,000,000	257,312	1,257,312
2031-2035	2.4-3.3%	1,160,000	94,947	1,254,947
		<u>\$ 3,035,000</u>	<u>\$ 725,290</u>	<u>\$ 3,760,290</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
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>\$ 1,770,150</u>	<u>\$ 97,867</u>	<u>\$ 1,868,017</u>

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

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

Type of Debt	Debt		Debt		Amounts Due Within 1 Year
	Outstanding June 30, 2019	Additions of New Debt	Repayments	Outstanding June 30, 2020	
General Obligation Refunding Bonds Series 2011	\$ 3,200,000	\$ -	\$ 165,000	\$ 3,035,000	\$ 170,000
BB&T Capital Lease 2016	2,140,608	-	370,458	1,770,150	378,578
	<u>\$ 5,340,608</u>	<u>\$ -</u>	<u>\$ 535,458</u>	<u>\$ 4,805,150</u>	<u>\$ 548,578</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, 2020, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$6,689,609

NOTE 8 – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description - Employees are covered by CERS (County Employees Retirement System), 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. The City has both Non-Hazardous and Non-Hazardous plan employees.

Membership in CERS consisted of the following at June 30, 2019:

	Non-hazardous	Hazardous	Total
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
Number of participating employers			<u>1,140</u>

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

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:

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

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
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.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service. 15 years service and 50 years old
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service. 15 years service and 50 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement 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 or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required 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 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

For hazardous duty employees, the City contributed 39.58% of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$215,020, of which \$172,481 was for the pension fund and \$42,539 was for the health insurance fund.

CITY OF EDGEWOOD, KENTUCKY
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The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$706,947, of which \$536,908 was for the pension fund and \$170,039 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, 2020, the City reported a liability of \$10,879,870 as its proportionate share of the net pension liability (\$2,314,434 for the non-hazardous plan and \$8,565,436 for the hazardous duty plan) The net pension liability was measured as of June 30, 2019, 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, 2019, the City's non-hazardous employer allocation proportion was 0.0329% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3101% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$1,623,433 in addition to its \$709,389 pension contribution.

At June 30, 2020, 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 59,094	\$ (9,779)	\$ 363,925	\$ -	\$ 423,019	\$ (9,779)
Net difference between projected actual earnings on plan investments	-	(37,310)	-	(121,223)	-	(158,533)
Changes of assumptions	234,247	-	831,440	-	1,065,687	-
Changes in proportion and differences between contributions and proportionate share of contributions	137,117	-	175,754	(191,326)	312,871	(191,326)
Contributions subsequent to the measurement date	172,481	-	536,908	-	709,389	-
	<u>\$ 602,939</u>	<u>\$ (47,089)</u>	<u>\$ 1,908,027</u>	<u>\$ (312,549)</u>	<u>\$ 2,510,966</u>	<u>\$ (359,638)</u>

The City's contributions subsequent to the measurement date of \$709,389 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

Measurement Year Ending June 30,	Net Deferral
2020	\$ 1,011,718
2021	334,642
2022	85,213
2023	10,366
2024	-
Thereafter	-
	<u>\$ 1,441,939</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2017, rolled forward to June 30, 2019, and 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
Amortization period	26 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05-3.30%, minimum, 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

CITY OF EDGEWOOD, KENTUCKY
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June 30, 2020

timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

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 asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- 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).
- 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:

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

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.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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	\$ 2,894,701	\$ 2,314,434	\$ 1,830,788
Hazardous	10,708,717	8,565,436	6,808,255
Total	<u>\$ 13,603,418</u>	<u>\$ 10,879,870</u>	<u>\$ 8,639,043</u>

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.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

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, 2018, the contribution was \$13.38 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, 2018, the contribution was \$13.38 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%

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.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

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, 2018, the contribution was \$20.07 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	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 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%

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 was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% 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 \$42,539 for non-hazardous duty employees and \$170,039 for hazardous duty employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$2,847,099 as its proportionate share of the net OPEB liability (\$553,363 for the non-hazardous plan and \$2,293,736 for the hazardous duty plan) The net OPEB liability was measured as of June 30, 2019, 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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2020

relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.0329% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3101% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized OPEB expense of \$228,341 in addition to its \$212,578 pension contribution

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (166,962)	\$ -	\$ (426,710)	\$ -	\$ (593,672)
Net difference between projected actual earnings on plan investments	-	(24,578)	-	(131,875)	-	(156,453)
Changes of assumptions	163,745	(1,095)	693,157	(4,343)	856,902	(5,438)
Changes in proportion and differences between contributions and proportionate share of contributions	63,475	(787)	76,587	(72,505)	140,062	(73,292)
Contributions subsequent to the measurement date	42,539	-	170,039	-	212,578	-
	<u>\$ 269,759</u>	<u>\$ (193,422)</u>	<u>\$ 939,783</u>	<u>\$ (635,433)</u>	<u>\$ 1,209,542</u>	<u>\$ (828,855)</u>

The City's contributions subsequent to the measurement date, \$212,578 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 165,306
2021	43,305
2022	(33,879)
2023	740
2024	(5,768)
Thereafter	(1,595)
	<u>\$ 168,109</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2017, rolled forward to June 30, 2019, and 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

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Amortization period	26 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05-3.30%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation, RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Mortality:	
Healthcare trend rates (Pre-65):	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

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 Health	Long Term
	Insurance Target Allocation	Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

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%

In 2017, the demographic and economic assumptions that affect the measurement of the total OPEB 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%.
- The asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- 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).

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan and 5.69% for the 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 City'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 5.68% for the non-hazardous plan, and 5.69% for the hazardous plan, as well as what the proportionate share of the net OPEB 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.68%	5.68%	6.68%
Net OPEB liability, Non-Haz	\$ 741,279	\$ 553,363	\$ 398,533
Discount Rate, Hazardous	4.69%	5.69%	6.69%
Net OPEB liability, Haz	\$ 3,200,223	\$ 2,293,736	\$ 1,557,931
Total	\$ 3,941,502	\$ 2,847,099	\$ 1,956,464

CITY OF EDGEWOOD, KENTUCKY**Notes to Financial Statements****June 30, 2020****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:

Health Care Cost Trend Rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Non-Haz	\$ 411,539	\$ 553,363	\$ 725,342
Net OPEB liability, Haz	1,596,016	2,293,736	3,144,916
Total	\$ 2,007,555	\$ 2,847,099	\$ 3,870,258

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports 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 9 – 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, 2020 was \$159,807.

NOTE 10 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020 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.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2020

NOTE 11 – 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 12 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – FY 2020

Statement No. 88 – *Certain Disclosures Related to Debt* – FY 2020

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance* – FY 2020

NOTE 13 – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – FY 2021

Statement No. 87 – *Leases* – FY 2022

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

Statement No. 90 – *Majority Equity Interests* – FY 2021

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2020* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE 14 – COVID-19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2020-21 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

CITY OF EDGEWOOD, KENTUCKY**Notes to Financial Statements****June 30, 2020****NOTE 15 – CARES ACT FUNDING**

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$627,959 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these funds as other financial resources and as an accounts receivable at June 30, 2020

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events through November 12, 2020, the date on which the financial statements were available for issue. The City has no subsequent events from June 30, 2020 through November 12, 2020 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, 2020

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	<u>\$ 6,950,413</u>	<u>\$ -</u>	<u>\$ 6,950,413</u>	<u>\$ 6,950,413</u>	<u>\$ -</u>
Resources (inflows):					
Taxes					
Real estate tax	1,976,000	-	1,976,000	1,946,696	(29,304)
Payroll tax	4,292,431	-	4,292,431	4,483,662	191,231
Net profits tax	282,111	-	282,111	301,513	19,402
Bank deposit tax	67,150	-	67,150	54,507	(12,643)
Public service tax	78,000	-	78,000	59,672	(18,328)
Franchise tax	-	-	-	146,543	146,543
Cable return	88,000	-	88,000	92,460	4,460
Licenses and permits					
Occupational licenses	69,000	-	69,000	67,904	(1,096)
ABC licenses	9,000	-	9,000	7,826	(1,174)
Garage permits	500	-	500	155	(345)
Building and zoning	-	-	-	445	445
Fines and forfeitures					
Real estate penalties and interest	8,000	-	8,000	10,681	2,681
Police	500	-	500	1,339	839
Other revenues					
Sale of property	1,000	-	1,000	-	(1,000)
Memorials	100	-	100	50	(50)
Concessions	1,000	-	1,000	397	(603)
Newsletter advertisements	2,500	-	2,500	2,375	(125)
Public safety donation	1,000	-	1,000	-	(1,000)
Miscellaneous	40,000	-	40,000	29,000	(11,000)
Investment income, other financing	-	-	-	687,195	687,195
Intergovernmental					
Police and fire state incentives	112,000	-	112,000	151,394	39,394
Municipal road aid	150,000	-	150,000	167,848	17,848
Base court revenue	8,000	-	8,000	13,674	5,674
Fire department state aid	11,000	-	11,000	11,000	-
Other grants	500,000	-	500,000	252,232	(247,768)
Charges for services					
Waste	815,000	-	815,000	826,672	11,672
EMS response fee	250,000	-	250,000	303,492	53,492
Contract fire department	225,000	-	225,000	247,857	22,857
Police special duty	15,000	-	15,000	12,360	(2,640)
SRO fee	120,000	-	120,000	88,000	(32,000)
Facility rental	40,000	-	40,000	40,350	350
Recreation programs	50,000	-	50,000	33,425	(16,575)
Total resources (inflows)	<u>9,212,292</u>	<u>-</u>	<u>9,212,292</u>	<u>10,040,724</u>	<u>828,432</u>
Amounts available for appropriation	<u>16,162,705</u>	<u>-</u>	<u>16,162,705</u>	<u>16,991,137</u>	<u>828,432</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, 2020

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Charges to appropriations (outflows):					
Administration					
Personnel	\$ 565,220	\$ -	\$ 565,220	\$ 548,846	\$ 16,374
Operations & Maintenance	133,750	-	133,750	88,093	45,657
General government					
Contractual	423,300	-	423,300	382,938	40,362
Parks & Recreation	196,750	-	196,750	149,656	47,094
Operations & Maintenance	1,293,900	-	1,293,900	982,854	311,046
Police					
Personnel	1,938,289	-	1,938,289	1,802,914	135,375
Contractual	17,200	-	17,200	15,431	1,769
Operations & Maintenance	175,800	-	175,800	154,781	21,019
Fire and EMS					
Personnel	1,633,217	-	1,633,217	1,562,203	71,014
Contractual	8,000	-	8,000	8,000	-
Operations & Maintenance	340,300	-	340,300	147,123	193,177
FEMA Safer Grant	172,500	-	172,500	184,727	(12,227)
General services					
Personnel	812,641	-	812,641	750,987	61,654
Contractual Services	1,931,000	-	1,931,000	1,129,666	801,334
Operations & Maintenance	246,700	-	246,700	239,684	7,016
Total charges to appropriations	9,888,567	-	9,888,567	8,147,903	1,740,664
Interfund transfers	(676,275)	-	(676,275)	(665,271)	11,004
Budgetary fund balance, June 30	<u>\$ 5,597,863</u>	<u>\$ -</u>	<u>\$ 5,597,863</u>	<u>\$ 8,177,963</u>	<u>\$ 2,580,100</u>

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, 2020

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.0329%	0.0323%	0.0272%	0.0263%	0.0267%	0.0239%				
Proportionate share of the net pension liability (asset)	\$ 2,314,434	\$ 1,968,569	\$ 1,590,929	\$ 1,292,919	\$ 1,148,876	\$ 775,925				
Covered payroll in year of measurement	878,531	771,608	665,104	626,489	670,051	548,671				
Share of the net pension liability (asset) as a percentage of its covered payroll	263.44%	255.13%	239.20%	206.38%	171.46%	141.42%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%				
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 172,481	\$ 142,498	\$ 111,729	\$ 92,782	\$ 77,810	\$ 85,431	\$ 75,387			
Actual contribution	172,481	142,498	111,729	92,782	77,810	85,431	75,387			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	893,683	878,531	771,608	665,104	626,489	670,051	548,671			
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%			

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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, 2020

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.3101%	0.3230%	0.2972%	0.3063%	0.2976%	0.2678%				
Proportionate share of the net pension liability (asset)	\$ 8,565,436	\$ 7,812,487	\$ 6,649,550	\$ 5,255,708	\$ 4,567,926	\$ 3,217,984				
Covered payroll in year of measurement	1,787,431	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	479.20%	431.34%	391.98%	323.64%	325.84%	237.28%				
Plan fiduciary net position as a percentage of total pension liability	46.63%	49.26%	53.95%	53.95%	57.52%	63.46%				
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
Contractually required contribution	\$ 536,908	\$ 444,355	\$ 402,093	\$ 368,293	\$ 329,008	\$ 321,730	\$ 295,241			
Actual contribution	536,908	444,355	402,093	368,293	329,008	321,730	295,241			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	1,786,122	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	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%			

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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, 2020

	Schedule of the City's Proportionate Share of the Net OPEB Liability									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.0329%	0.032340%	0.027180%							
Proportionate share of the net OPEB liability (asset)	\$ 553,363	\$ 574,226	\$ 546,411							
Covered payroll in year of measurement	878,531	771,608	665,104							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	62.99%	74.42%	82.15%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							
	Schedule of the City's Contributions									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 42,539	\$ 46,211	\$ 36,266	\$ 31,459						
Actual contribution	42,539	46,211	36,266	31,459						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	893,683	878,531	771,608	665,104						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%						

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

The net OPEB liability as of June 30, 2020, 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, 2020

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	0.3100%	0.3232%	0.2972%							
Proportion of net OPEB liability										
Proportionate share of the net OPEB liability (asset)	\$ 2,293,736	\$ 2,304,007	\$ 2,457,000							
Covered payroll in year of measurement	1,787,431	1,811,228	1,696,421							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	128.33%	127.21%	144.83%							
Plan fiduciary net position as a percentage of total OPEB liability	64.44%	64.24%	59.00%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	\$ 170,039	\$ 187,144	\$ 169,350	\$ 158,615						
Contractually required contribution	170,039	187,144	169,350	158,615						
Actual contribution	-	-	-	-						
Contribution deficiency (excess)	1,786,122	1,787,431	1,811,228	1,696,421						
Covered payroll	9.52%	10.47%	9.35%	9.35%						
Contributions as a percentage of covered payroll										

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

The net OPEB liability as of June 30, 2020, 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
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
For the Year Ended June 30, 2020

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ 55,906	\$ 55,906
Resources (inflows):					
Investment income	-	-	-	-	-
Total resources (inflows)	-	-	-	-	-
Amounts available for appropriation	-	-	-	55,906	55,906
Charges to appropriations (outflows):					
Debt service expenditures	676,275	-	676,275	665,271	11,004
Total charges to appropriations	676,275	-	676,275	665,271	11,004
Operating transfers in	676,275	-	676,275	665,271	(11,004)
Budgetary fund balance, June 30	<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, 2020, and the related notes to the financial statements, which collectively comprise the City of Edgewood, Kentucky's basic financial statements, and have issued our report thereon dated November 12, 2020.

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. 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

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**Ft. Wright, Kentucky
November 12, 2020**

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SINGLE AUDIT SECTION



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Edgewood, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Edgewood, Kentucky's major federal programs for the year ended June 30, 2020. City of Edgewood, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Edgewood, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Cod of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Edgewood, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Edgewood, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Edgewood, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of the City of Edgewood, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Edgewood, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Edgewood, Kentucky's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company". The signature is written in black ink and is positioned above the typed name and date.

**Ft. Wright, Kentucky
November 12, 2020**

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CITY OF EDGEWOOD, KENTUCKY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2020

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Contract Number	Expenditures
<u>U.S. Department of Treasury</u>			
Passed through:			
Kentucky Department of Local Government			
<i>Coronavirus Aid, Relief, and Economic Security Act</i>	21.019	2100000100	\$ 627,959
<u>U.S. Department of Homeland Security</u>			
<i>Staffing for Adequate Fire and Emergency Response</i>	97.083	Direct Award	242,724
<u>U.S. Department of Transportation</u>			
Passed through:			
Kentucky Transportation Cabinet			
<i>Highway Planning and Construction</i>	20.205		30,494
<i>National Highway Traffic Safety Administration Discretionary Safety Grant</i>	20.614		<u>1,474</u>
Total Federal Financial Assistance			<u>\$ 902,651</u>

The accompanying notes to the schedule of expenditure of federal awards are an integral part of this schedule.

CITY OF EDGEWOOD, KENTUCKY

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Edgewood, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – DE MINIMUS INDIRECT COST RATE

The City has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

CITY OF EDGEWOOD, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiencies identified? Yes x None reported

Noncompliance material to financial statements noted

 Yes x No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? Yes x No
- Significant deficiencies identified? Yes x None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

 Yes x No

Identification of major programs:
 Federal Program or Cluster

CFDA Numbers

 Coronavirus Aid, Relief and Economic Security Act

 21.019

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

 Yes x No

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

CITY OF EDGEWOOD, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2020

NO CFR 200 (UNIFORM GUIDANCE) AUDIT IN FISCAL YEAR 2019

NO PRIOR YEAR AUDIT FINDINGS