

CITY OF EDGEWOOD, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2022

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CITY OF EDGEWOOD, KENTUCKY
LIST OF CITY OFFICIALS
For the Year Ended June 30, 2022

Mayor

John Link

Council Members

Ben Barlage	Dale Henson
Darla Kettenacker	Joseph Messmer
Jeff Schreiber	Rob Thelen

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	Rick Lunnemann

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Edgewood, Kentucky's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Edgewood, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Edgewood, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinions. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations., or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Edgewood Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Edgewood, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 is the responsibility of management and, although not a part of the basic financial statements,



is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Information

Management is responsible for other information included in the annual report. The other information comprises Budgetary Comparison Schedule for the Debt Service Fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, 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 solely 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 effectiveness of the City of Edgewood, Kentucky's 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

December 20, 2022

**CITY OF EDGEWOOD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

Our discussion and analysis of the City of Edgewood, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's basic financial statements that begin on page 9.

Using This Annual Report

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

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- The ending cash balance for the City was \$7.50M.
- The ending investment balance for the City was \$2.09M.

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 9 and 10 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (Continued)**

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 11 through 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 42 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 2022 compared to 2021:

Table 1 – Net Position of Governmental Activities

	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 11,472,737	\$ 9,015,546
Capital assets, net	<u>25,991,964</u>	<u>24,939,209</u>
Total Assets	<u>37,464,701</u>	<u>33,954,755</u>
Deferred Outflow of Resources	<u>2,836,890</u>	<u>3,419,925</u>
Liabilities		
Current and other liabilities	1,912,925	2,032,760
Noncurrent liabilities	<u>16,483,790</u>	<u>18,940,139</u>
Total Liabilities	<u>18,396,715</u>	<u>20,972,899</u>
Deferred Inflow of Resources	<u>2,572,175</u>	<u>757,521</u>
Net Position		
Invested in capital assets, net of related debt	22,469,374	20,900,759
Restricted for debt service	55,906	55,906
Unrestricted	<u>(3,192,579)</u>	<u>(5,312,405)</u>
	<u>\$ 19,332,701</u>	<u>\$ 15,644,260</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 \$19.3M as of June 30, 2022, a \$3.7M increase from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (Continued)**

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

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

Total assets increased \$3.5M, due to \$2.8M increase in cash and a \$1M increase in fixed assets. This is due to the \$386K in federal funds received from the Federal Department of Transportation for the Dudley Road rebuild and due to the \$1.1M received as part of the American Recovery Plan Act (ARPA) funding (See the Schedule of Expenditure of Federal Funds on page 50). Table 2 reflects the change in net position.

Table 2 - Change in Net Position

General Revenues	2022	2021
Taxes	\$ 10,477,305	\$ 7,878,492
Licenses and permits	86,415	82,874
Fines and forfeitures	15,331	11,889
Earnings on investments	(72,953)	55,146
Miscellaneous	79,141	21,015
Total General Revenues	<u>10,585,239</u>	<u>8,049,416</u>
 Program Revenues		
Charges for services	1,701,155	1,615,377
Operating grants and contributions	343,908	315,949
Capital grants and contributions	2,479,278	1,299,167
Total Program Revenues	<u>4,524,341</u>	<u>3,230,493</u>
 Expenses, net of program revenues		
General government	2,184,568	2,217,508
Police	2,245,021	2,409,796
Fire & EMS	2,348,103	2,656,314
Public works	2,478,111	1,582,661
Parks	190,752	166,562
Interest expense	329,052	153,919
Depreciation	1,645,532	1,431,860
Total Expenditures, net	<u>11,421,139</u>	<u>10,618,620</u>
Increase (Decrease) in Net Position	<u>\$ 3,688,441</u>	<u>\$ 661,290</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (Continued)**

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$13.91M and expenditures of \$12.21M. Revenues increased 25.8% while expenses increased by only 0.3%. The increase in revenues is due to federal government road grants and ARPA grants, and the small increase in expenses is due primarily to the \$2.7M in capital expenditures in the current year; which was expended to rebuild portions of Dudley and Brookwood Roads.

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 \$5.68M and the actual beginning fund balance was \$7.27M.

Revenues were initially budgeted at \$10.49M and were amended up to \$11.49M to include ARPA fund revenues. Actual revenues were \$13.91M. The major differences came from receiving \$1.5M more in payroll taxes, \$787K in net profit taxes, and \$79K more than budgeted in franchise taxes.

Expenditures were initially budgeted at \$12.72M and were amended down to \$12.38M. Actual expenditures were \$11.51M. The major differences came from expending \$777K in less for General Government CIP, and \$166K less in Fire and \$118K less in Police personnel expenses.

The ending actual general fund balance of \$8.97M exceeded the budgetary balance of \$4.14M by \$4.83M.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the City had \$25.99M invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2022 balances compared to fiscal year 2021.

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

	2022	2021
Land	\$ 1,671,935	\$ 1,671,935
Construction in progress	1,242,098	177,400
Infrastructure	15,441,766	16,085,611
Buildings and improvements	5,861,752	5,744,000
Vehicles and equipment	1,044,327	988,905
Park improvements	730,086	271,358
	<u>\$ 25,991,964</u>	<u>\$ 24,939,209</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (Continued)**

The net change in capital assets of \$914,972 in the current year consisted of the following capital asset activity:

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

Net additions to construction in progress	\$ 1,064,698
Net additions to infrastructure	398,601
Net additions to buildings and improvement	370,471
Net additions of vehicles and equipment	189,446
Net additions to park improvements	537,288
Depreciation expense	<u>(1,645,532)</u>
Total Change in Fixed Assets	<u>\$ 914,972</u>

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

At June 30, 2022, the City had \$3.59M in outstanding bonds and capital leases. The following is a summary of the City's debt transactions during the year ended June 30, 2022:

June 30 2021	Additions	Payments	June 30 2022
<u>\$ 4,256,572</u>	<u>\$ 2,660,000</u>	<u>\$ (3,326,876)</u>	<u>\$ 3,589,696</u>

GASB 68 Pension and GASB 75 OPEB Liability Recognition

As of June 30, 2022, the City recognized net pension and other post-employment benefits liabilities of \$13,524,449 based on a June 30, 2021 measurement date compared to \$15,240,444 in FY 2021. 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 2023 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 should continue to see strong increases. FY 2023 will continue to see significant federal funding, \$400K, for the rebuilding of Dudley Road through the City, and another \$1.1M related to the American Rescue Plan Act of 2022. 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, 2022

Assets	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 7,502,261
Investments - current	2,093,512
Receivables	
Property taxes	21,258
Payroll taxes	1,215,934
Waste fees	8,514
Intergovernmental receivables	480,056
Interest receivable	4,073
Other receivables	139,982
Prepaid expenses	7,147
Total Current Assets	<u>11,472,737</u>
Capital Assets	
Land and construction in progress	2,914,033
Depreciable capital assets	48,108,890
Less: accumulated depreciation	(25,030,959)
Net Capital Assets	<u>25,991,964</u>
Total Assets	<u>37,464,701</u>
Deferred Outflow of Resources	
Discount on bonds	16,207
Bond refunding costs	50,899
Deferred outflow of resources related to pensions and other post-employment benefits	2,769,784
Total Deferred Outflows of Resources	<u>2,836,890</u>
Total Assets and Deferred Outflows of Resources	<u>40,301,591</u>
Liabilities	
Current Liabilities	
Accounts payable	36,609
Accrued liabilities	1,138,267
Compensated absences	107,694
Current portion of bonds and leases payable	630,355
Total Current Liabilities	<u>1,912,925</u>
Long-term Liabilities	
Bonds and leases payable	2,959,341
Net pension and other post-employment benefits liability	13,524,449
Total Long-Term Liabilities	<u>16,483,790</u>
Total Liabilities	<u>18,396,715</u>
Deferred Inflow of Resources	
Premium on bonds	144,704
Deferred inflow of resources related to pensions and other post-employment benefits	2,427,471
Total Deferred Inflow of Resources	<u>2,572,175</u>
Total Liabilities and Deferred Inflow of Resources	<u>20,968,890</u>
Net Position	
Invested in capital assets, net of related debt	22,469,374
Restricted for debt service	55,906
Unrestricted	(3,192,579)
Total Net Position	<u>\$ 19,332,701</u>

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
	Expenses	Charges for Services	Capital		Governmental Activities
			Operating Grants and Contributions	Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 2,184,568	\$ 1,040,202	\$ 11,875	\$ -	(1,132,491)
Police	2,245,021	7,739	145,988	-	(2,091,294)
Fire and EMS	2,348,103	608,618	11,000	-	(1,728,485)
Public works	2,478,111	-	175,045	2,479,278	176,212
Parks and recreation	190,752	44,596	-	-	(146,156)
Interest on debt service	329,052	-	-	-	(329,052)
Depreciation, unallocated	1,645,532	-	-	-	(1,645,532)
Total Governmental Activities	\$ 11,421,139	\$ 1,701,155	\$ 343,908	\$ 2,479,278	(6,896,798)
			General Revenues		
			Taxes		10,477,305
			Licenses and permits		86,415
			Investment income (loss)		(72,953)
			Miscellaneous		42,179
			Gain on disposal of assets		36,962
			Fines and forfeitures		15,331
			Total general revenues		10,585,239
			Change in net position		3,688,441
			Net Position, Beginning of Year		15,644,260
			Net Position, End of Year		\$ 19,332,701

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

CITY OF EDGEWOOD, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2022
--

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,388,937	\$ 55,906	\$ 7,444,843
Investments	2,093,512	-	2,093,512
Receivables			
Property taxes	21,258	-	21,258
Payroll taxes	1,215,934	-	1,215,934
Waste fees	8,514	-	8,514
Intergovernmental receivables	480,056	-	480,056
Interest receivable	4,073	-	4,073
Other receivables	129,626	-	129,626
Due from other funds	-	-	-
Prepaid expenses	7,147	-	7,147
Total Assets	<u>\$ 11,349,057</u>	<u>\$ 55,906</u>	<u>\$ 11,404,963</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 36,609	\$ -	\$ 36,609
Accrued salaries	181,572	-	181,572
Accrued liabilities	956,695	-	956,695
Deferred revenue	1,203,884	-	1,203,884
Total Liabilities	<u>2,378,760</u>	<u>-</u>	<u>2,378,760</u>
Fund Balances			
Unspendable	7,147	-	7,147
Restricted for debt service	-	55,906	55,906
Unassigned	8,963,150	-	8,963,150
Total Fund Balances	<u>8,970,297</u>	<u>55,906</u>	<u>9,026,203</u>
Total Liabilities and Fund Balances	<u>\$ 11,349,057</u>	<u>\$ 55,906</u>	<u>\$ 11,404,963</u>

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, 2022</p>
--

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet		\$ 9,026,203
Capital assets of \$51,022,923, less accumulated depreciation of (\$25,030,959), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		25,991,964
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.		1,203,884
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	\$ 16,207	
Less: accumulated amortization	<u> -</u>	16,207
Deferred refunding costs	50,899	
Less: accumulated amortization	<u> -</u>	50,899
Bond premium	\$ (144,704)	
Less: accumulated amortization	<u> -</u>	(144,704)
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		2,769,784
Deferred inflows related to pension and OPEB		(2,427,471)
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		67,774
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		(107,694)
Net pension and post-employment health insurance liability		(13,524,449)
Bonds and leases payable		<u>(3,589,696)</u>
Net position of governmental activities		<u>\$ 19,332,701</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, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Taxes	\$ 9,314,067	\$ -	\$ 9,314,067
Licenses and permits	86,415	-	86,415
Fines and forfeitures	15,331	-	15,331
Other revenues	42,179	-	42,179
Investment income	(72,953)	-	(72,953)
Intergovernmental revenue	2,823,186	-	2,823,186
Charges for services	1,701,155	-	1,701,155
Total Revenues	<u>13,909,380</u>	<u>-</u>	<u>13,909,380</u>
Expenditures			
General government	2,101,850	-	2,101,850
Police	1,963,926	-	1,963,926
Fire and EMS	2,215,802	-	2,215,802
Public works	2,337,803	-	2,337,803
Parks and recreation	190,752	-	190,752
Capital outlay	2,699,283	-	2,699,283
Debt service	-	700,208	700,208
Total Expenditures	<u>11,509,416</u>	<u>700,208</u>	<u>12,209,624</u>
Excess (Deficit) of Revenues Over Expenditures	<u>2,399,964</u>	<u>(700,208)</u>	<u>1,699,756</u>
Other Financing Sources (Uses)			
Operating transfers in	-	700,208	700,208
Operating transfers out	(700,208)	-	(700,208)
Total Other Financing Sources (Uses)	<u>(700,208)</u>	<u>700,208</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>1,699,756</u>	<u>-</u>	<u>1,699,756</u>
Fund Balance, Beginning of Year	<u>7,270,541</u>	<u>55,906</u>	<u>7,326,447</u>
Fund Balance, End of Year	<u>\$ 8,970,297</u>	<u>\$ 55,906</u>	<u>\$ 9,026,203</u>

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, 2022</p>
--

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds **\$ 1,699,756**

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

Capital outlays	\$ 2,699,283	
Depreciation expense	<u>(1,645,532)</u>	1,053,751
Gain on disposal of assets	36,962	
Less: revenue recognized in the funds	<u>(37,959)</u>	(997)

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		(282,245)
Costs of post employment health insurance benefits earned		(103,728)

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. 1,163,238

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 (190,991)

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

Compensated absences		(21,499)
Cost of issuance of bonds		(55,144)

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		75,000
Leases		<u>386,876</u>

Change in net position of governmental activities **\$ 3,688,441**

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF NET POSITION - INTERNAL SERVICE FUND June 30, 2022

	Self Insured Health Insurance Fund
Assets	
Cash and cash equivalents	\$ 57,418
Accounts receivable	10,356
Total Assets	<u>67,774</u>
Liabilities	
Accrued liabilities	-
Due to General Fund	-
Total Liabilities	<u>-</u>
Net Position	
Held for insurance claims	67,774
Total Net Position	<u><u>\$ 67,774</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, 2022
--

	Self Insured Health Insurance Fund
Revenues	
Health insurance revenue	\$ 614,719
Interest income	106
Total Revenues	<u>614,825</u>
Expenditures	
Administrations claims	98,295
General government claims	79,649
Police claims	319,414
Fire and EMS claims	267,337
General services claims	41,121
Bank charges	-
Total Expenditures	<u>805,816</u>
Change in Net Position	(190,991)
Net Position, Beginning of Year	<u>258,765</u>
Net Position, End of Year	<u>\$ 67,774</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, 2022
--

	Self Insured Health Insurance Fund
	<u> </u>
Cash Flows From Operating Activities:	
Medical premiums received	\$ 613,620
Claims paid	<u>(805,816)</u>
Net change in cash from operating activities	(192,196)
Cash and Cash Equivalents, Beginning of Year	<u>249,614</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 57,418</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ (190,991)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decreases (increase) in accounts payable	(1,205)
Increase (decrease) in accrued expenses	-
Increase (decrease) in payables to General Fund	<u>-</u>
Net change in cash from operating activities	<u><u>\$ (192,196)</u></u>

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Total Retirement Plans
Assets	
Investments - mutual funds	<u>\$ 258,219</u>
Total Assets	<u>258,219</u>
Net Position	
Held in trust for pension benefits	<u>258,219</u>
Total Net Position	<u><u>\$ 258,219</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, 2022

	Total Retirement Plans
Additions	
Employee contributions	\$ 49,438
Investment gains (loss)	(44,226)
Total Additions	<u>5,212</u>
Deductions	
Benefits distributed	-
Fees	-
Total Deductions	<u>-</u>
Change in Net Position	5,212
Net Position - Beginning of Year	253,145
Prior Year Adjustment (by One America)	(138)
Net Position - End of Year	<u><u>\$ 258,219</u></u>

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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2022

NOTE 1 – ACCOUNTING POLICIES

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

The Reporting Entity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2022

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, in which the

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2022

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. There are no interfund balances at June 30, 2022.

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 2021-2022 tax year, the total real property tax assessment was \$1,351,685,800.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 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 while street maintenance and repaving are not capitalized.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2022

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, 2022

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, 2022

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, 2022

As of June 30, 2022, 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	\$ 549,112	\$ -	\$ 549,112	\$ -
Corporate bonds	181,604	-	181,604	-
Total debt securities	730,716	-	730,716	-
Equity securities:				
Mutual funds	241,825	241,825	-	-
Total equity securities	241,825	241,825	-	-
Subtotal investments	972,541	241,825	730,716	-
Cash and Cash Equivalents				
Cash	7,444,844	7,444,844	-	-
Annuity investment	1,120,971	-	-	1,120,971
Total Deposits & Investments	\$ 9,538,356	\$ 7,686,669	\$ 730,716	\$ 1,120,971

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. 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, 2022 in the amount of \$972,541 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, 2022

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 2022.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Governmental Activities				
Capital Assets not Depreciated				
Land	\$ 1,671,935	\$ -	\$ -	\$ 1,671,935
Construction in progress	177,400	1,242,098	(177,400)	1,242,098
Total Capital Assets Not Being Depreciated	<u>1,849,335</u>	<u>1,242,098</u>	<u>(177,400)</u>	<u>2,914,033</u>
Depreciable Capital Assets				
Infrastructure	30,348,195	404,833	(6,231)	30,746,797
Buildings & improvements	9,590,183	370,471	-	9,960,654
Vehicles & equipment	4,535,851	321,993	(132,547)	4,725,297
Park improvements	2,138,854	537,288	-	2,676,142
Total Depreciable Capital Assets	<u>46,613,083</u>	<u>1,634,585</u>	<u>(138,778)</u>	<u>48,108,890</u>
Total Capital Assets at Historical Cost	<u>48,462,418</u>	<u>2,876,683</u>	<u>(316,178)</u>	<u>51,022,923</u>
Less Accumulated Depreciation				
Infrastructure	14,262,584	1,047,680	(5,234)	15,305,030
Buildings & improvements	3,846,183	252,719	-	4,098,902
Vehicles & equipment	3,546,945	266,572	(132,547)	3,680,970
Park improvements	1,867,496	78,561	-	1,946,057
Total Accumulated Depreciation	<u>23,523,208</u>	<u>1,645,532</u>	<u>(137,781)</u>	<u>25,030,959</u>
Depreciable Capital Assets, Net	<u>23,089,875</u>	<u>(10,947)</u>	<u>(997)</u>	<u>23,077,931</u>
Total Capital Assets, Net	<u>\$ 24,939,210</u>	<u>\$ 1,231,151</u>	<u>\$ (178,397)</u>	<u>\$ 25,991,964</u>

Depreciation expense \$1,431,860 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2022

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, 2022, the amount outstanding on the line of credit was \$0.

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 were due June 1 and December 1. The principal payments were paid on December 1. This bond was defeased by the issuance of the General Obligation Refunding Bond, Series 2021, below. This bond has been fully defeased.

General Obligation Refunding Bond, Series 2021

This \$2,660,000 Series 2021 bond was obtained to refund the General Obligation Refunding Bond, Series 2011. Interest payments on the Series 2021 bond are due June 1 and December 1. The principal payments are paid on December 1. The interest rate is 2.0% until the final payment which is due on December 1, 2031. And initial principal payment of \$75,000 was made on December 1, 2021.

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
2023	2.000%	\$ 235,000	\$ 49,350	\$ 284,350
2024	2.000%	240,000	44,600	284,600
2025	2.000%	245,000	39,750	284,750
2026	2.000%	250,000	34,800	284,800
2027	2.000%	255,000	29,750	284,750
2028-2032	2.000%	1,360,000	69,300	1,429,300
		<u>\$ 2,585,000</u>	<u>\$ 267,550</u>	<u>\$ 2,852,550</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 Rate	Principal Amount	Interest Amount	Total Debt Service
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>\$ 1,004,696</u>	<u>\$ 33,091</u>	<u>\$ 1,037,787</u>

CITY OF EDGEWOOD, KENTUCKY
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The following is a summary of the City's long-term debt transactions for the year ended June 30, 2022.

Type of Debt	Outstanding June 30, 2021	Additions of New Debt	Repayments	Outstanding June 30, 2022	Amounts Due Withing 1 Year
General Obligation Refunding Bonds Series 2011	\$ 2,865,000	\$ -	\$ 2,865,000	\$ -	\$ -
General Obligation Refunding Bonds Series 2021	-	2,660,000	75,000	2,585,000	235,000
Truist Capital Lease 2016	1,391,572	-	386,876	1,004,696	395,356
Debt Total	\$ 4,256,572	\$ 2,660,000	\$ 3,326,876	\$ 3,589,696	\$ 630,356

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, 2022, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$5,469,448.

NOTE 8 – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – City 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 Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority 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 *Hazardous Duty* employees. Membership in CERS consisted of the following at June 30, 2021:

CITY OF EDGEWOOD, KENTUCKY
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	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,250	80,745	10,452	9,340
Inactive Plan Members	95,692	29,208	3,590	877
Retired Members	65,414	37,037	9,419	7,366
	<u>242,356</u>	<u>146,990</u>	<u>23,461</u>	<u>17,583</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

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

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

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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2022

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.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

For non-hazardous duty employees, the City contributed 26.95% of covered-employee's compensation, of which 21.17% was for the pension fund and 5.78% was for the health insurance fund. For hazardous duty employees, the City contributed 44.33% of covered-employee's compensation, of which 33.86% was for the pension fund and 10.47% was for the health insurance fund.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
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The City made all required contributions for the non-hazardous plan pension obligation for the fiscal year in the amount of \$272,579, of which \$214,118 was for the pension fund and \$58,460 was for the health insurance fund. The City made all required contributions for the hazardous plan pension obligation for the fiscal year in the amount of \$827,364, of which \$631,955 was for the pension fund and \$195,410 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, 2022, the City reported a liability of \$10,379,657 (\$2,199,454 for the non-hazardous plan and \$8,180,203 for the hazardous duty plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.0345% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3073% of the total CERS hazardous duty employees. For the year ended June 30, 2022, the City recognized pension expense of \$282,245 in addition to its \$846,073 pension contribution.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 25,256	\$ (21,347)	\$ 225,583	\$ -	\$ 250,839	\$ (21,347)
Net difference between projected actual earnings on plan investments	-	(293,151)	-	(878,162)	-	(1,171,313)
Changes of assump.	29,519	-	102,169	-	131,688	-
Changes in proportion, differences between contributions and proportionate share of contributions	80,016	-	130,023	(124,582)	210,039	(124,582)
Contributions subsequent to the measurement date	214,118	-	631,955	-	846,073	-
	<u>\$ 348,909</u>	<u>\$ (314,498)</u>	<u>\$ 1,089,730</u>	<u>\$ (1,002,744)</u>	<u>\$ 1,438,639</u>	<u>\$ (1,317,242)</u>

The City's contributions subsequent to the measurement date of \$846,073 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (48,169)
2023	(145,874)
2024	(187,942)
2025	(342,691)
2026	-
Thereafter	-
	<u>\$ (724,676)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

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 2013 through 2018, is outlined in a report dated April 30, 2019. 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

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allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension Plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2020.

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 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 benefit payments to determine the total pension liability.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the 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:

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Notes to Financial Statements
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	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 2,820,905	\$ 2,199,454	\$ 1,685,219
Hazardous	10,426,804	8,180,203	6,349,232
Total	\$ 13,247,709	\$ 10,379,657	\$ 8,034,451

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

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

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2022

Hazardous OPEB Plan Description

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 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 KPPA Trustees. For non-hazardous employees, the City contributed 5.78% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 10.47% of covered employees' compensation for the health insurance fund. The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount \$58,460. The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$195,410.

CITY OF EDGEWOOD, KENTUCKY
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These contributions are 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. For the year ended June 30, 2022, the City recognized OPEB expense of \$103,728 in addition to its \$253,870 OPEB contribution.

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

At June 30, 2022, the City reported a liability of \$3,144,792 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.03445% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3073% of the total CERS hazardous duty employees.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 103,828	\$ (197,136)	\$ 77,637	\$ (267,293)	\$ 181,465	\$ (464,429)
Net difference between projected actual earnings on plan investments	-	(103,290)	-	(467,642)	-	(570,932)
Changes of assump.	175,051	(614)	623,060	(928)	798,111	(1,542)
Changes in proportion, differences between contributions and proportionate share of contributions	53,759	(307)	43,940	(73,019)	97,699	(73,326)
Contributions subsequent to the measurement date	58,460	-	195,410	-	253,870	-
	<u>\$ 391,098</u>	<u>\$ (301,347)</u>	<u>\$ 940,047</u>	<u>\$ (808,882)</u>	<u>\$ 1,331,145</u>	<u>\$ (1,110,229)</u>

The City's contributions subsequent to the measurement date of \$253,870 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
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Measurement Year Ending June 30,	Net Deferral
2022	\$ (19,205)
2023	14,179
2024	5,374
2025	(90,447)
2026	57,145
Thereafter	-
	<u>\$ (32,954)</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB Plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2022

Phase-in provision

Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the non-hazardous Plan and from 5.30% to 5.05% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous Plan and 5.05% 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.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the 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 5.20% for the non-hazardous Plan and 5.05% 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:

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2022

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	\$ 906,552	\$ 660,275	\$ 458,163
Discount Rate, Hazardous	4.05%	5.05%	6.05%
Net OPEB liability, Haz	\$ 3,602,078	\$ 2,484,517	\$ 1,586,621
Total	\$ 4,508,630	\$ 3,144,792	\$ 2,044,784

Sensitivity of the 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:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 475,319	\$ 660,275	\$ 883,519
Net OPEB liability, hazardous	1,627,991	2,484,517	3,533,557
Total	\$ 2,103,310	\$ 3,144,792	\$ 4,417,076

Plan Fiduciary Net Position

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

NOTE 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 fiduciary position of this fund at June 30, 2022 was \$258,219.

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.

CITY OF EDGEWOOD, KENTUCKY
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June 30, 2022

Management estimates that the amount of actual or potential claims against the City as of June 30, 2022 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 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. 87 – *Leases* – FY 2022

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. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE 13 – FUTURE ACCOUNTING STANDARDS

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

NOTE 14 – COVID-19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a delay in receiving occupational license tax revenue received and an increase in expenses for personal protective equipment. As the pandemic has waned, City management believes these revenues and expenses will return to pre-pandemic levels. The 2022-23 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE 15 – AMERICAN RECOVERY PLAN ACT

In response to the COVID-19 Global Pandemic, the City qualified for and was awarded an additional federal funds from the American Recovery Plan Act (ARPA), passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been to reimburse the City for general governmental expenditures, excluding debt service and pension pay-down, during the pandemic. The City received \$2,307,859 in ARPA funds during the fiscal year but recognized only \$1,137,495 as other financial resources at June 30, 2022. The remaining \$1,170,364 will be deferred for use in future years.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2022

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events through December 20, 2022, the date on which the financial statements were available for issue. The City has no subsequent events from June 30, 2022 through December 20, 2022 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, 2022

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	<u>\$ 5,684,216</u>	<u>\$ -</u>	<u>\$ 5,684,216</u>	<u>\$ 7,270,541</u>	<u>\$ 1,586,325</u>
Resources (inflows):					
Taxes					
Real estate tax	1,937,500	-	1,937,500	1,965,392	27,892
Payroll tax	4,400,000	-	4,400,000	5,921,610	1,521,610
Net profits tax	180,000	-	180,000	967,477	787,477
Bank deposit tax	60,000	-	60,000	75,332	15,332
Public service tax	73,000	-	73,000	62,179	(10,821)
Franchise tax	165,000	-	165,000	244,629	79,629
Cable return	81,000	-	81,000	77,448	(3,552)
Licenses and permits					
Occupational licenses	35,000	-	35,000	78,348	43,348
ABC licenses	8,000	-	8,000	7,737	(263)
Garage permits	500	-	500	230	(270)
Building and zoning	1,000	-	1,000	100	(900)
Fines and forfeitures					
Real estate penalties and interest	11,000	-	11,000	12,665	1,665
Police	1,500	-	1,500	2,666	1,166
Other revenues					
Memorials	100	-	100	85	(15)
Concessions	300	-	300	-	(300)
Newsletter advertisements	2,500	-	2,500	2,400	(100)
Property sales	10,000	-	10,000	-	(10,000)
Miscellaneous	30,000	-	30,000	39,694	9,694
Investment income, other financing	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>(72,953)</u>	<u>(142,953)</u>
Intergovernmental					
Police and fire state incentives	120,000	-	120,000	145,988	25,988
Municipal road aid	175,000	-	175,000	175,045	45
Base court revenue	10,000	-	10,000	11,875	1,875
Fire department state aid	11,000	-	11,000	11,000	-
Other grants	1,500,000	1,008,000	2,508,000	2,479,278	(28,722)
Charges for services					
Waste	827,000	-	827,000	820,118	(6,882)
EMS response fee	275,000	-	275,000	318,956	43,956
Contract fire department	250,000	-	250,000	289,662	39,662
Police special duty	15,000	-	15,000	7,739	(7,261)
SRO fee	139,500	-	139,500	139,500	-
Facility rental	50,000	-	50,000	80,584	30,584
Recreation programs	50,000	-	50,000	44,596	(5,404)
Total resources (inflows)	<u>10,488,900</u>	<u>1,008,000</u>	<u>11,496,900</u>	<u>13,909,380</u>	<u>2,412,480</u>
Amount available for appropriation	<u>16,173,116</u>	<u>1,008,000</u>	<u>17,181,116</u>	<u>21,179,921</u>	<u>3,998,805</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, 2022

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Charges to appropriations (outflows):					
Administration					
Personnel	\$ 604,140	\$ -	\$ 604,140	\$ 603,561	\$ 579
Operations & Maintenance	196,550	316,000	512,550	448,256	64,294
General government					
Contractual	398,300	-	398,300	422,594	(24,294)
Parks & Recreation	203,000	-	203,000	190,752	12,248
Operations & Maintenance	2,034,940	101,000	2,135,940	1,358,728	777,212
Police					
Personnel	1,989,641	-	1,989,641	1,870,855	118,786
Contractual	17,200	-	17,200	15,152	2,048
Operations & Maintenance	197,000	-	197,000	161,212	35,788
Fire and EMS					
Personnel	1,944,515	196,898	2,141,413	1,975,216	166,197
Contractual	8,000	-	8,000	8,000	-
Operations & Maintenance	865,300	(818,301)	46,999	190,622	(143,623)
FEMA Safer Grant	177,301	-	177,301	71,214	106,087
General services					
Personnel	883,229	(7,116)	876,113	866,756	9,357
Contractual Services	2,805,000	(140,000)	2,665,000	2,970,289	(305,289)
Operations & Maintenance	392,700	13,979	406,679	356,209	50,470
Total charges to appropriations	12,716,816	(337,540)	12,379,276	11,509,416	869,860
Interfund transfers	(666,000)	-	(666,000)	(700,208)	(34,208)
Budgetary fund balance, June 30	\$ 2,790,300	\$ 1,345,540	\$ 4,135,840	\$ 8,970,297	\$ 4,834,457

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, 2022

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.0345%	0.0332%	0.0329%	0.0323%	0.0272%	0.0263%	0.0267%	0.0239%		
Proportionate share of the net pension liability (asset)	\$ 2,199,454	\$ 2,543,958	\$ 2,314,434	\$ 1,968,569	\$ 1,590,929	\$ 1,292,919	\$ 1,148,876	\$ 775,925		
Covered payroll in year of measurement	912,465	893,683	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	241.05%	284.66%	263.44%	255.13%	239.20%	206.38%	171.46%	141.42%		
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%		
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 214,118	\$ 176,106	\$ 172,481	\$ 142,498	\$ 111,729	\$ 92,782	\$ 77,810	\$ 85,431	\$ 75,387	
Actual contribution	214,118	176,106	172,481	142,498	111,729	92,782	77,810	85,431	75,387	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	1,011,423	912,465	893,683	878,531	771,608	665,104	626,489	670,051	548,671	
Contributions as a percentage of covered payroll	21.17%	19.30%	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, 2022

The net pension liability as of June 30, 2022, is based on the June 30, 2021, 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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.3073%	0.3102%	0.3101%	0.3230%	0.2972%	0.3063%	0.2976%	0.2678%		
County Employees' Retirement System (CERS)										
Proportionate share of the net pension liability (asset)	\$ 8,180,203	\$ 9,104,662	\$ 8,565,436	\$ 7,812,487	\$ 6,649,550	\$ 5,255,708	\$ 4,567,926	\$ 3,217,984		
Covered payroll in year of measurement	1,857,190	1,786,122	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	440.46%	509.74%	479.20%	431.34%	391.98%	323.64%	325.84%	237.28%		
Plan fiduciary net position as a percentage of total pension liability	52.26%	44.11%	46.63%	49.26%	53.95%	53.95%	57.52%	63.46%		

Schedule of the City's Contributions

County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 631,955	\$ 558,271	\$ 536,908	\$ 444,355	\$ 402,093	\$ 368,293	\$ 329,008	\$ 321,730	\$ 295,241	
Actual contribution	631,955	558,271	536,908	444,355	402,093	368,293	329,008	321,730	295,241	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	1,866,376	1,857,190	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	33.86%	30.06%	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, 2022

The net pension liability as of June 30, 2022, is based on the June 30, 2021, 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, 2022

	Schedule of the City's Proportionate Share of the Net OPEB Liability									
	County Employees' Retirement System (CERS)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.0345%	0.0332%	0.0329%	0.0323%	0.0272%					
Proportionate share of the net OPEB liability (asset)	\$ 660,275	\$ 800,979	\$ 553,363	\$ 574,226	\$ 546,411					
Covered payroll in year of measurement	912,465	893,683	878,531	771,608	665,104					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	72.36%	89.63%	62.99%	74.42%	82.15%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%					
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 58,460	\$ 43,433	\$ 42,539	\$ 46,211	\$ 36,266	\$ 31,459				
Actual contribution	58,460	43,433	42,539	46,211	36,266	31,459				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	1,011,423	912,465	893,683	878,531	771,608	665,104				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%				

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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, 2022

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Schedule of the City's Proportionate Share of the Net OPEB Liability										
	County Employees' Retirement System (CERS)									
Proportion of net OPEB liability	0.3073%	0.3020%	0.3100%	0.3232%	0.2972%					
Proportionate share of the net OPEB liability (asset)	\$ 2,484,517	\$ 2,790,845	\$ 2,293,736	\$ 2,304,007	\$ 2,457,000					
Covered payroll in year of measurement	1,857,190	1,786,122	1,787,431	1,811,228	1,696,421					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	133.78%	156.25%	128.33%	127.21%	144.83%					
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	58.84%	64.44%	64.24%	59.00%					
Schedule of the City's Contributions										
	County Employees' Retirement System (CERS)									
Contractually required contribution	\$ 195,410	\$ 176,804	\$ 170,039	\$ 187,144	\$ 169,350	\$ 158,615				
Actual contribution	195,410	176,804	170,039	187,144	169,350	158,615				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	1,866,376	1,857,190	1,786,122	1,787,431	1,811,228	1,696,421				
Contributions as a percentage of covered payroll	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%				

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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, 2022

	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	666,000	-	666,000	700,208	(34,208)
Total charges to appropriations	666,000	-	666,000	700,208	(34,208)
Operating transfers in	666,000	-	666,000	700,208	34,208
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ 55,906	\$ 55,906

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



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

**To the 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, 2022, 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 December 20, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

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Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RANKIN, RANKIN & COMPANY

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

**Ft. Wright, Kentucky
December 20, 2022**

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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 identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for Audit of Compliance section of our report.

We are required to be independent of the City of Edgewood, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on compliance for each major federal program. Our audit does not provide a legal determination of the City of Edgewood, Kentucky's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Edgewood, Kentucky's federal programs



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Edgewood, Kentucky's compliance based upon our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate it would influence the judgement made by a reasonable user of the report on compliance about the City of Edgewood, Kentucky's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Edgewood, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Edgewood, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Edgewood, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 report is not suitable for any other purpose.

RANKIN, RANKIN & COMPANY

Rankin, Rankin & Company

**Ft. Wright, Kentucky
December 20, 2022**

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CITY OF EDGEWOOD, KENTUCKY SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS For the Year Ended June 30, 2022
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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Contract Number</u>	<u>Expenditures</u>
<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	\$ 65,047
<i>American Rescue Plan Act</i>	21.027		1,137,495
<u>U.S. Department of Homeland Security</u>			
<i>Staffing for Adequate Fire and Emergency Response</i>	97.083	Direct Award	68,091
<u>U.S. Department of Justice</u>			
<i>Bullet Proof Vests Grant</i>		Direct Award	705
<u>U.S. Department of Transportation</u>			
Passed through:			
Kentucky Transportation Cabinet			
<i>Highway Planning and Construction</i>	20.205	SC-625-2000001230 SC-625-2000000534	267,926 118,341
<i>National Highway Traffic Safety Administration Discretionary Safety Grant</i>	20.614		<u>1,105</u>
Total Federal Financial Assistance			<u>\$ 1,658,710</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, 2022****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 requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in 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, 2022

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

American Rescue Plan Act

21.027

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, 2022

NO AUDIT FINDINGS IN FY 2021