

CITY OF EDGEWOOD, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2023

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CITY OF EDGEWOOD, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2023

Mayor

John Link

Council Members

Ben Barlage	Darla Kettenacker
Joseph Messmer	Jeff Schreiber
Scott Spille	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**

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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 includes 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 6-10 and 47-48 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.

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 7, 2023, 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

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

**Ft. Wright, Kentucky
December 7, 2023**

**CITY OF EDGEWOOD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2023. Please read it in conjunction with the City's basic financial statements that begin on page 11.

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 11 and 12) 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 13. 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 2023 are as follows:

- The ending cash balance for the City was \$2.23M.
- The ending investment balance for the City was \$6.00M.

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 11 and 12 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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 13 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 starting on page 22 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 2023 compared to 2022:

Table 1 – Net Position of Governmental Activities

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 9,994,191	\$ 11,472,737
Capital assets, net	<u>27,537,549</u>	<u>25,991,964</u>
Total Assets	<u>37,531,740</u>	<u>37,464,701</u>
Deferred Outflow of Resources	<u>2,805,172</u>	<u>2,836,890</u>
Liabilities		
Current and other liabilities	2,133,344	1,912,925
Noncurrent liabilities	<u>16,784,210</u>	<u>16,483,790</u>
Total Liabilities	<u>18,917,554</u>	<u>18,396,715</u>
Deferred Inflow of Resources	<u>1,617,534</u>	<u>2,572,175</u>
Net Position		
Invested in capital assets, net of related debt	24,638,603	22,469,374
Restricted for debt service	63,055	55,906
Unrestricted	<u>(4,899,834)</u>	<u>(3,585,287)</u>
	<u>\$ 19,801,824</u>	<u>\$ 18,939,993</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 \$19.80M as of June 30, 2023, an \$861,831 increase from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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 only \$67,039, primarily due to \$1.48M decrease in cash and a \$1.55M increase in fixed assets. In the prior year, the City received \$2.3M as part of the American Recovery Plan Act (ARPA) funding and \$386K in federal funds received from the Federal Department of Transportation for the Dudley Road rebuild. Table 2 provides a summary of the City's change in net position for 2023 compared to 2022:

Table 2 - Change in Net Position

General Revenues	2023	2022
Taxes	\$ 8,109,805	\$ 10,477,305
Licenses and permits	82,810	86,415
Fines and forfeitures	10,610	15,331
Earnings on investments	143,795	(72,953)
Miscellaneous	43,217	79,141
Total General Revenues	<u>8,390,237</u>	<u>10,585,239</u>
 Program Revenues		
Charges for services	1,775,113	1,701,155
Operating grants and contributions	394,865	343,908
Capital grants and contributions	1,250,530	2,479,278
Total Program Revenues	<u>3,420,508</u>	<u>4,524,341</u>
 Expenses, net of program revenues		
General government	2,335,844	2,184,568
Police	2,115,961	2,245,021
Fire & EMS	2,455,142	2,348,103
Public works	2,079,214	2,478,111
Parks	208,504	190,752
Interest expense	58,573	329,052
Depreciation	1,695,676	1,645,532
Total Expenditures, net	<u>10,948,914</u>	<u>11,421,139</u>
Increase (Decrease) in Net Position	<u>\$ 861,831</u>	<u>\$ 3,688,441</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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 \$11.85M and expenditures of \$13.11M. Revenues decreased 14.8% and expenses increased by 7.4%. The decrease in revenues is because revenues had increased 25.8% in the prior year due to federal government road grants and ARPA grants. The increase in expenses is due primarily to the \$3.25M in capital expenditures in the current year; which was expended for 6 major road replacement projects in the City.

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 \$5.13M and the actual beginning fund balance was \$8.58 M.

Revenues were initially budgeted at \$10.36M. Actual revenues were \$11.85M. The major differences came from receiving \$493K more in payroll taxes and \$750K in intergovernmental grants.

Expenditures were initially budgeted at \$13.31M and were amended up to \$13.65M. Actual expenditures were \$12.42M. The major differences came from expending \$745K in less for General Government CIP, and \$142K less in Fire and \$126K less in Police personnel expenses.

The ending actual general fund balance of \$7.32M exceeded the budgetary balance of \$3.64M by \$3.67M.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the City had \$27.54M invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2023 balances compared to fiscal year 2022.

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

	2023	2022
Land	\$ 1,671,935	\$ 1,671,935
Construction in progress	1,484,460	1,242,098
Infrastructure	16,785,944	15,441,766
Buildings and improvements	5,890,158	5,861,752
Vehicles and equipment	951,394	1,044,327
Park improvements	753,658	730,086
	<u>\$ 27,537,549</u>	<u>\$ 25,991,964</u>

The net change in capital assets of \$1,545,585 in the current year consisted of the following capital asset activity:

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED (Continued)**

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

Net additions to construction in progress	\$ 242,363
Net additions to infrastructure	1,917,650
Net additions to buildings and improvement	316,415
Net additions of vehicles and equipment	(163,367)
Net additions to park improvements	79,773
Net depreciation expense	<u>(847,249)</u>
Total Change in Fixed Assets	<u>\$ 1,545,585</u>

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

At June 30, 2023, the City had \$2.96M in outstanding bonds and capital leases. The following is a summary of the City's debt transactions during the year ended June 30, 2023:

June 30 2022	Additions	Payments	June 30 2023
\$ 3,589,696	\$ -	\$ (630,355)	\$ 2,959,341

GASB 68 Pension and GASB 75 OPEB Liability Recognition

As of June 30, 2023, the City recognized net pension and other post-employment benefits liabilities of \$14,468,890 based on a June 30, 2022 measurement date compared to \$13,524,449 in FY 2022. Detailed information on this liability, and its associated deferred outflows and inflows can be found in Note 8 to the financial statements.

Economic Factors in Next Year's Budget

The City effectively weathered the financial effects of the COVID-19 Global Pandemic and the global financial uncertainty of 2022. The FY 2024 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 2024 will see less federal funding than in prior years, will continue to invest in street repair and replacement within the City. City management believes that the City is well positioned to weather any significant, short-term financial upheaval which may be on the horizon.

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, 2023

Assets	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 2,230,216
Investments - current	6,001,394
Receivables	
Property taxes	21,137
Payroll taxes	1,590,035
Waste fees	8,768
Intergovernmental receivables	32,432
Interest receivable	45,885
Other receivables	50,642
Prepaid expenses	13,682
Total Current Assets	<u>9,994,191</u>
Capital Assets	
Land and construction in progress	3,156,396
Depreciable capital assets	50,259,361
Less: accumulated depreciation	(25,878,208)
Net Capital Assets	<u>27,537,549</u>
Total Assets	<u>37,531,740</u>
Deferred Outflow of Resources	
Discount on bonds	14,586
Bond refunding costs	45,809
Deferred outflow of resources related to pensions and other post-employment benefits	2,744,777
Total Deferred Outflows of Resources	<u>2,805,172</u>
Total Assests and Deferred Outflows of Resources	<u>40,336,912</u>
Liabilities	
Current Liabilities	
Accounts payable	36,228
Accrued liabilities	1,335,914
Compensated absenses	117,181
Current portion of bonds and leases payable	644,021
Total Current Liabilities	<u>2,133,344</u>
Long-term Liabilities	
Bonds and leases payable	2,315,320
Net pension and other post-employment benefits liability	14,468,890
Total Long-Term Liabilities	<u>16,784,210</u>
Total Liabilities	<u>18,917,554</u>
Deferred Inflow of Resources	
Premium on bonds	130,233
Deferred inflow of resoures related to pensions and other post-employment benefits	1,487,301
Total Deferred Inflow of Resources	<u>1,617,534</u>
Total Liabilities and Deferred Inflow of Resources	<u>20,535,088</u>
Net Position	
Invested in capital assets, net of related debt	24,638,603
Restricted	63,055
Unrestricted	(4,899,834)
Total Net Position	<u>\$ 19,801,824</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, 2023

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
Governmental Activities					
General government	\$ 2,335,844	\$ 901,724	\$ 12,481	\$ -	(1,421,639)
Police	2,115,961	155,790	196,144	-	(1,764,027)
Fire and EMS	2,455,142	676,243	11,500	-	(1,767,399)
Public works	2,079,214	-	174,740	1,250,530	(653,944)
Parks and recreation	208,504	41,356	-	-	(167,148)
Interest on debt service	58,573	-	-	-	(58,573)
Depreciation, unallocated	1,695,676	-	-	-	(1,695,676)
Total Governmental Activities	\$ 10,948,914	\$ 1,775,113	\$ 394,865	\$ 1,250,530	(7,528,406)

General Revenues	
Taxes	8,109,805
Licenses and permits	82,810
Investment income (loss)	143,795
Miscellaneous	51,439
Loss on disposal of assets	(8,222)
Fines and forfeitures	10,610
Total general revenues	8,390,237
Change in net position	861,831
Net Position, Beginning of Year	19,332,701
<i>Prior period adjustment</i>	<i>(392,708)</i>
Net Position, End of Year	\$ 19,801,824

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

CITY OF EDGEWOOD, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,095,790	\$ 55,906	\$ 2,151,696
Investments	6,001,394	-	6,001,394
Receivables			
Property taxes	21,137	-	21,137
Payroll taxes	1,590,035	-	1,590,035
Waste fees	8,768	-	8,768
Intergovernmental receivables	32,432	-	32,432
Interest receivable	45,885	-	45,885
Other receivables	50,642	-	50,642
Due from other funds	-	-	-
Prepaid expenses	13,682	-	13,682
Total Assets	<u>\$ 9,859,765</u>	<u>\$ 55,906</u>	<u>\$ 9,915,671</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 36,228	\$ -	\$ 36,228
Accrued salaries	181,510	-	181,510
Accrued liabilities	1,154,404	-	1,154,404
Deferred revenue	1,172,394	-	1,172,394
Total Liabilities	<u>2,544,536</u>	<u>-</u>	<u>2,544,536</u>
Fund Balances			
Unspendable	13,682	-	13,682
Restricted	7,149	55,906	63,055
Unassigned	7,294,398	-	7,294,398
Total Fund Balances	<u>7,315,229</u>	<u>55,906</u>	<u>7,371,135</u>
Total Liabilities and Fund Balances	<u>\$ 9,859,765</u>	<u>\$ 55,906</u>	<u>\$ 9,915,671</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, 2023</p>
--

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

Total fund balance per balance sheet		\$ 7,371,135
Capital assets of \$53,415,757, less accumulated depreciation of (\$25,878,208), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,537,549
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.		1,172,394
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>(1,621)</u>	14,586
Deferred refunding costs	50,899	
Less: accumulated amortization	<u>(5,090)</u>	45,809
Bond premium	\$ (144,704)	
Less: accumulated amortization	<u>14,471</u>	(130,233)
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		2,744,777
Deferred inflows related to pension and OPEB		(1,487,301)
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		78,520
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		(117,181)
Net pension and post-employment health insurance liability		(14,468,890)
Bonds and leases payable		<u>(2,959,341)</u>
Net position of governmental activities		<u>\$ 19,801,824</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, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Taxes	\$ 8,141,295	\$ -	\$ 8,141,295
Licenses and permits	82,810	-	82,810
Fines and forfeitures	10,610	-	10,610
Other revenues	51,439	-	51,439
Investment income	143,795	-	143,795
Intergovernmental revenue	1,645,395	-	1,645,395
Charges for services	1,775,113	-	1,775,113
Total Revenues	<u>11,850,457</u>	<u>-</u>	<u>11,850,457</u>
Expenditures			
General government	2,280,471	-	2,280,471
Police	2,160,543	-	2,160,543
Fire and EMS	2,515,908	-	2,515,908
Public works	2,001,222	-	2,001,222
Parks and recreation	208,504	-	208,504
Capital outlay	3,249,482	-	3,249,482
Debt service	-	696,687	696,687
Total Expenditures	<u>12,416,130</u>	<u>696,687</u>	<u>13,112,817</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(565,673)</u>	<u>(696,687)</u>	<u>(1,262,360)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	696,687	696,687
Operating transfers out	(696,687)	-	(696,687)
Total Other Financing Sources (Uses)	<u>(696,687)</u>	<u>696,687</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(1,262,360)</u>	<u>-</u>	<u>(1,262,360)</u>
Fund Balance, Beginning of Year	8,970,297	55,906	9,026,203
Prior Period Adjustment	(392,708)	-	(392,708)
Fund Balance, End of Year	<u>\$ 7,315,229</u>	<u>\$ 55,906</u>	<u>\$ 7,371,135</u>

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

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, 2023

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

Net change in fund balance - total governmental funds		\$ (1,262,360)
<p>Governmental funds report capital outlays as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Capital outlays	\$ 3,249,482	
Depreciation expense	<u>(1,695,676)</u>	1,553,806
Loss on disposal of assets	(2,247)	
Less: revenue recognized in the funds	<u>(5,975)</u>	(8,222)
<p>Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:</p>		
Pension benefits earned		200,296
Costs of post employment health insurance benefits earned		(229,572)
<p>Deferred refunding costs are reported for governmental activities as a deferred outflow and amortized over the life of the bond and it is a component of interest expense, but is not reported in the governmental funds. This is the amortized interest expense.</p>		
		(5,090)
<p>The bond premium/discount is reported for governmental activities as a deferred inflow/outflow and amortized over the life of the bond and it is a component of interest expense, but is not reported in the governmental funds. This is the amortized interest expense.</p>		
		12,849
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>		
		(31,490)
<p>An internal service fund is used to charge the revenues and cost of the self insured health insurance plan. The net revenues(expenses) of the internal service fund is reported with governmental activities</p>		
		10,746
<p>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</p>		
Compensated absences		(9,487)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Bonds		235,000
Leases		<u>395,355</u>
Change in net position of governmental activities		<u>\$ 861,831</u>

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

CITY OF EDGEWOOD, KENTUCKY STATEMENT OF NET POSITION - INTERNAL SERVICE FUND June 30, 2023

	Self Insured Health Insurance Fund
Assets	
Cash and cash equivalents	\$ 78,520
Accounts receivable	-
Total Assets	<u>78,520</u>
Liabilities	
Accrued liabilities	-
Due to General Fund	-
Total Liabilities	<u>-</u>
Net Position	
Held for insurance claims	<u>78,520</u>
Total Net Position	<u><u>\$ 78,520</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, 2023
--

	Self Insured Health Insurance Fund
Revenues	
Health insurance revenue	\$ 571,256
Interest income	1,068
Total Revenues	<u>572,324</u>
Expenditures	
Administrations claims	89,655
General government claims	76,410
Police claims	191,797
Fire and EMS claims	164,001
General services claims	39,715
Bank charges	-
Total Expenditures	<u>561,578</u>
Change in Net Position	10,746
Net Position, Beginning of Year	67,774
Net Position, End of Year	<u>\$ 78,520</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, 2023

	Self Insured Health Insurance Fund
Cash Flows From Operating Activities:	
Medical premiums received	\$ 582,680
Claims paid	(561,578)
Net change in cash from operating activities	21,102
Cash and Cash Equivalents, Beginning of Year	57,418
Cash and Cash Equivalents, End of Year	\$ 78,520
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 10,746
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decreases (increase) in accounts payable	10,356
Increase (decrease) in accrued expenses	-
Increase (decrease) in payables to General Fund	-
Net change in cash from operating activities	\$ 21,102

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Total Retirement Plans
Assets	
Investments - mutual funds	\$ -
Total Assets	<u>-</u>
Net Position	
Held in trust for pension benefits	<u>-</u>
Total Net Position	<u><u>\$ -</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, 2023

	Total Retirement Plans
Additions	
Employee contributions	\$ 28,794
Investment gains (loss)	3,744
Total Additions	<u>32,538</u>
Deductions	
Benefits distributed	290,757
Fees	-
Total Deductions	<u>290,757</u>
Change in Net Position	(258,219)
Net Position - Beginning of Year	258,219
Net Position - End of Year	<u><u>\$ -</u></u>

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

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

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, 2023

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, 2023

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, 2023.

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 2022-2023 tax year, the total real property tax assessment was \$1,369,263,000.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 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, 2023

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. The City’s has restrictions of fund balance for the Debt Service Fund and for Asset Forfeiture funds passed from the U.S. Department of Justice.
- 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, 2023

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, 2023

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, 2023

As of June 30, 2023, 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	\$ 542,104	\$ -	\$ 542,104	\$ -
Corporate bonds	183,648	-	183,648	-
Total debt securities	<u>725,752</u>	<u>-</u>	<u>725,752</u>	<u>-</u>
Equity securities:				
Mutual funds	278,498	278,498	-	-
Total equity securities	<u>278,498</u>	<u>278,498</u>	<u>-</u>	<u>-</u>
Subtotal investments	<u>1,004,250</u>	<u>278,498</u>	<u>725,752</u>	<u>-</u>
Cash and Cash Equivalents				
Cash	2,151,696	2,151,696	-	-
Certificates of Deposits	4,997,144	4,997,144	-	-
Total Deposits & Investments	<u>\$ 8,153,090</u>	<u>\$ 7,427,338</u>	<u>\$ 725,752</u>	<u>\$ -</u>

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, 2023 in the amount of \$1,004,250 in debt and equity securities. The related securities totaling this amount are uninsured, unregistered and held by various trust departments.

Certificates of Deposit – The City has invested reserve cash in certificates of deposit with varying rates and maturities.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Governmental Activities				
Capital Assets not Depreciated				
Land	\$ 1,671,935	\$ -	\$ -	\$ 1,671,935
Construction in progress	1,242,098	1,728,414	(2,401,951)	568,561
Work in progress - vehicles	-	915,900	-	915,900
Total Capital Assets Not Being Depreciated	2,914,033	2,644,314	(2,401,951)	3,156,396
Depreciable Capital Assets				
Infrastructure	30,746,797	2,401,951	(484,301)	32,664,447
Buildings & improvements	9,960,654	316,415	-	10,277,069
Vehicles & equipment	4,725,297	208,980	(372,347)	4,561,930
Park improvements	2,676,142	79,773	-	2,755,915
Total Depreciable Capital Assets	48,108,890	3,007,119	(856,648)	50,259,361
Total Capital Assets at Historical Cost	51,022,923	5,651,433	(3,258,599)	53,415,757
Less Accumulated Depreciation				
Infrastructure	15,305,030	1,049,553	(476,080)	15,878,503
Buildings & improvements	4,098,902	288,009	-	4,386,911
Vehicles & equipment	3,680,970	301,913	(372,347)	3,610,536
Park improvements	1,946,057	56,201	-	2,002,258
Total Accumulated Depreciation	25,030,959	1,695,676	(848,427)	25,878,208
Depreciable Capital Assets, Net	23,077,931	1,311,443	(8,221)	24,381,153
Total Capital Assets, Net	\$ 25,991,964	\$ 3,955,757	\$ (2,410,172)	\$ 27,537,549

Depreciation expense \$1,695,676 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 6 – LONG TERM DEBT

General Obligation Refunding Bond, Series 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.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

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
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	2.000%	260,000	24,600	284,600
2029-2032	2.000%	1,100,000	44,700	1,144,700
		<u>\$ 2,350,000</u>	<u>\$ 218,200</u>	<u>\$ 2,568,200</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:

Year Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	2.18%	\$ 404,021	\$ 11,094	\$ 415,115
2025	2.18%	205,320	2,237	207,557
		<u>\$ 609,341</u>	<u>\$ 13,331</u>	<u>\$ 622,672</u>

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2023.

Type of Debt	Outstanding June 30, 2022	Additions of New Debt	Repayments	Outstanding June 30, 2023	Amounts Due Within 1 Year
General Obligation Refunding Bonds Series 2021	\$ 2,585,000	\$ -	\$ 235,000	\$ 2,350,000	\$ 240,000
Trust Capital Lease 2016	1,004,696	-	395,355	609,341	404,021
Debt Total	<u>\$ 3,589,696</u>	<u>\$ -</u>	<u>\$ 630,355</u>	<u>\$ 2,959,341</u>	<u>\$ 644,021</u>

Conduit Debt Obligations

The City has issued Industrial Building Revenue Bonds to provide financial assistance to private-sector entities for the purchase or addition of property including land and a building. The bonds are secured by the properties financed and are payable solely from the private-sector entities. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2023, there was one Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$3,034,925.

NOTE 7 – 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 Statute ("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, 2022:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

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 health insurance benefits 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:

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

Hazardous Pension Plan Description

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

CITY OF EDGEWOOD, KENTUCKY
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For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive health insurance benefits 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:

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

Contributions

For non-hazardous duty employees, the City contributed 26.79% of covered-employee's compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

For hazardous duty employees, the City contributed 49.59% of covered-employee's compensation, of which 42.81% was for the pension fund and 6.78% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$256,617, of which \$224,145 was for the pension fund and \$32,472 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 \$968,671, of which \$836,233 was for the pension fund and \$132,438 was for the health insurance fund.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

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

At June 30, 2023, the City reported a liability of \$11,324,717 (\$2,551,625 for the non-hazardous plan and \$8,773,092 for the hazardous duty plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.0353% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.2875% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized a net pension benefit of \$200,296 in addition to its \$1,060,378 pension contribution.

At June 30, 2023, 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	\$ 2,728	\$ (22,723)	\$ 251,540	\$ -	\$ 254,268	\$ (22,723)
Net difference between projected actual earnings on plan investments	65,415	-	202,634	-	268,049	-
Changes of assump.	-	-	-	-	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	78,577	-	91,668	(463,464)	170,245	(463,464)
Contributions subsequent to the measurement date	224,145	-	836,233	-	1,060,378	-
	<u>\$ 370,865</u>	<u>\$ (22,723)</u>	<u>\$ 1,382,075</u>	<u>\$ (463,464)</u>	<u>\$ 1,752,940</u>	<u>\$ (486,187)</u>

The City's contributions subsequent to the measurement date of \$1,060,378 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

Measurement Year Ending June 30,	Net Deferral
2023	\$ 65,600
2024	24,500
2025	(138,027)
2026	254,302
2027	-
Thereafter	-
	\$ 206,375

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

Investment Rate of Return 6.25%

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

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued 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	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

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:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 3,189,215	\$ 2,551,625	\$ 2,024,285
Hazarous	10,928,322	8,773,092	7,017,791
Total	\$ 14,117,537	\$ 11,324,717	\$ 9,042,076

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.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

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

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

Hazardous OPEB Plan Description

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

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

CITY OF EDGEWOOD, KENTUCKY
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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 3.39% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 6.78% 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 of \$224,145.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$836,233.

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, 2023, the City recognized OPEB expense of \$229,573 in addition to its \$164,910 OPEB contribution.

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

At June 30, 2023, the City reported a liability of \$3,144,173 (\$696,473 for the non-hazardous plan and \$2,447,700 for the hazardous duty plan) as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.02529% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.2874% 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:

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 70,106	\$ (159,717)	\$ 54,083	\$ (144,967)	\$ 124,189	\$ (304,684)
Net difference between projected actual earnings on plan investments	28,268	-	89,340	-	117,608	-
Changes of assump.	110,152	(90,765)	408,592	(421,161)	518,744	(511,926)
Changes in proportion, differences between contributions and proportionate share of contributions	44,562	(67)	21,825	(184,436)	66,387	(184,503)
Contributions subsequent to the measurement date	150,121	-	904,458	-	1,054,579	-
	<u>\$ 403,209</u>	<u>\$ (250,549)</u>	<u>\$ 1,478,298</u>	<u>\$ (750,564)</u>	<u>\$ 1,881,507</u>	<u>\$ (1,001,113)</u>

The City's contributions subsequent to the measurement date of \$1,054,579 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (2,552)
2024	(10,832)
2025	(104,086)
2026	42,330
2027	(99,045)
Thereafter	<u>\$ (174,185)</u>

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

CITY OF EDGEWOOD, KENTUCKY Notes to Financial Statements June 30, 2023

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. 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 the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare

CITY OF EDGEWOOD, KENTUCKY
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retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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:

CITY OF EDGEWOOD, KENTUCKY
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Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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 5.70% for the non-hazardous Plan and 5.61% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 931,073	\$ 696,473	\$ 502,536
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 3,401,006	\$ 2,447,700	\$ 1,673,437
Total	\$ 4,332,079	\$ 3,144,173	\$ 2,175,973

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	\$ 517,812	\$ 696,473	\$ 911,011
Net OPEB liability, hazardous	1,709,198	2,447,700	3,347,894
Total	\$ 2,227,010	\$ 3,144,173	\$ 4,258,905

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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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE 8 – SECTION 457 RETIREMENT PLAN

The City also offers, on a voluntary basis, an IRS Section 457 deferred compensation 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 was held as a fiduciary fund, as noted in NOTE A, was managed by the City, was wholly owned by the employees who participate, and was not an asset of the City. During the year ended June 30, 2023, the City switched providers of the plan and the plan assets were distributed to each employee, based on the share invested, to manage individually. This fiduciary fund's balance is \$0 at June 30, 2023 and is slated to be closed by the City.

NOTE 9 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2023 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 10 – CLAIMS AND JUDGEMENTS

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

NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

CITY OF EDGEWOOD, KENTUCKY
Notes to Financial Statements
June 30, 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

NOTE 12 – FUTURE ACCOUNTING STANDARDS

Statement No. 100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

NOTE 13 – 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 2023-24 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE 14 – 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 ending June 30, 2022 and recognized \$1,137,495 in fiscal year 2022 and deferred the remaining balance. The remaining \$1,170,364 was recognized for use in fiscal year ending June 30, 2023

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events through December 7, 2023, the date on which the financial statements were available for issue. The City has no events subsequent to June 30, 2023 through December 7, 2023 to disclose.

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SUPPLEMENTARY INFORMATION

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, 2023

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 5,125,000	\$ 2,475,539	\$ 7,600,539	\$ 8,577,589	\$ 977,050
Resources (inflows):					
Taxes					
Real estate tax	1,965,811	-	1,965,811	1,992,587	26,776
Payroll tax	5,000,000	-	5,000,000	5,493,171	493,171
Net profits tax	295,000	-	295,000	133,440	(161,560)
Bank deposit tax	65,000	-	65,000	89,913	24,913
Public service tax	70,000	-	70,000	68,382	(1,618)
Franchise tax	225,000	-	225,000	296,585	71,585
Cable return	65,000	-	65,000	67,217	2,217
Licenses and permits					
Occupational licenses	72,000	-	72,000	74,908	2,908
ABC licenses	8,000	-	8,000	7,337	(663)
Garage permits	500	-	500	265	(235)
Building and zoning	1,000	-	1,000	300	(700)
Fines and forfeitures					
Real estate penalties and interest	11,000	-	11,000	9,352	(1,648)
Police	1,500	-	1,500	1,258	(242)
Other revenues					
Memorials	100	-	100	-	(100)
Newsletter advertisements	2,500	-	2,500	2,350	(150)
Miscellaneous	20,000	-	20,000	49,089	29,089
Investment income, other financing	62,000	-	62,000	143,795	81,795
Intergovernmental					
Police and fire state incentives	137,600	-	137,600	170,129	32,529
Municipal road aid	170,000	-	170,000	174,740	4,740
Base court revenue	6,500	-	6,500	12,481	5,981
Fire department state aid	11,000	-	11,000	11,500	500
Asset forfeiture	-	-	-	26,015	26,015
Other grants	500,000	-	500,000	1,250,530	750,530
Charges for services					
Waste	827,000	-	827,000	824,353	(2,647)
EMS response fee	325,000	-	325,000	383,329	58,329
Contract fire department	275,000	-	275,000	292,914	17,914
Police special duty	9,000	-	9,000	8,490	(510)
SRO fee	139,500	-	139,500	147,300	7,800
Facility rental	58,000	-	58,000	77,371	19,371
Recreation programs	35,000	-	35,000	41,356	6,356
Total resources (inflows)	10,358,011	-	10,358,011	11,850,457	1,492,446
Amount available for appropriation	15,483,011	2,475,539	17,958,550	20,428,046	2,469,496

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, 2023

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Charges to appropriations (outflows):					
Administration					
Personnel	\$ 633,146	\$ -	\$ 633,146	\$ 623,215	\$ 9,931
Operations & Maintenance	154,050	-	154,050	145,516	8,534
General government					
Contractual	437,800	-	437,800	424,572	13,228
Parks & Recreation	201,700	-	201,700	208,504	(6,804)
Operations & Maintenance	2,062,271	51,000	2,113,271	1,368,690	744,581
Police					
Personnel	2,097,489	15,312	2,112,801	1,986,938	125,863
Contractual	18,200	-	18,200	35,018	(16,818)
Operations & Maintenance	246,000	3,000	249,000	233,175	15,825
Fire and EMS					
Personnel	2,460,298	-	2,460,298	2,317,812	142,486
Contractual	8,000	-	8,000	8,000	-
Operations & Maintenance	1,166,300	42,365	1,208,665	1,182,889	25,776
General services					
Personnel	943,929	23,079	967,008	943,259	23,749
Contractual Services	2,378,000	200,000	2,578,000	2,469,075	108,925
Operations & Maintenance	501,500	5,000	506,500	469,467	37,033
Total charges to appropriations	13,308,683	339,756	13,648,439	12,416,130	1,232,309
Interfund transfers	(666,000)	-	(666,000)	(696,687)	(30,687)
Budgetary fund balance, June 30	\$ 1,508,328	\$ 2,135,783	\$ 3,644,111	\$ 7,315,229	\$ 3,671,118

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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.0353%	0.0345%	0.0332%	0.0329%	0.0323%	0.0272%	0.0263%	0.0267%	0.0239%	
Proportionate share of the net pension liability (asset)	\$ 2,551,625	\$ 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	1,011,423	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	252.28%	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	52.42%	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 224,145	\$ 214,118	\$ 176,106	\$ 172,481	\$ 142,498	\$ 111,729	\$ 92,782	\$ 77,810	\$ 85,431	\$ 75,387
Actual contribution	224,145	214,118	176,106	172,481	142,498	111,729	92,782	77,810	85,431	75,387
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	957,884	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	23.40%	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, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.2875%	0.3073%	0.3102%	0.3101%	0.3230%	0.2972%	0.3063%	0.2976%	0.2678%	
Proportionate share of the net pension liability (asset)	\$ 8,773,092	\$ 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	1,866,376	1,857,190	1,786,122	1,787,431	1,811,228	1,696,421	1,623,930	1,401,874	1,356,182	
Share of the net pension liability (asset) as a percentage of its covered payroll	470.06%	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	47.11%	52.26%	44.11%	46.63%	49.26%	53.95%	53.95%	57.52%	63.46%	

Schedule of the City's Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 836,233	\$ 631,955	\$ 558,271	\$ 536,908	\$ 444,355	\$ 402,093	\$ 368,293	\$ 329,008	\$ 321,730	\$ 295,241
Actual contribution	836,233	631,955	558,271	536,908	444,355	402,093	368,293	329,008	321,730	295,241
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	1,953,359	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	42.81%	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, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

	Schedule of the City's Proportionate Share of the Net OPEB Liability						
	2022	2021	2020	2019	2018	2017	2016
Proportion of net OPEB liability	0.0353%	0.0345%	0.0332%	0.0329%	0.0323%	0.0272%	
Proportionate share of the net OPEB liability (asset)	\$ 696,473	\$ 660,275	\$ 800,979	\$ 553,363	\$ 574,226	\$ 546,411	
Covered payroll in year of measurement	1,011,423	912,465	893,683	878,531	771,608	665,104	
Share of the net OPEB liability (asset) as a percentage of its covered payroll	68.86%	72.36%	89.63%	62.99%	74.42%	82.15%	
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	
	Schedule of the City's Contributions						
	County Employees' Retirement System (CERS)						
	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 32,472	\$ 58,460	\$ 43,433	\$ 42,539	\$ 46,211	\$ 36,266	\$ 31,459
Actual contribution	32,472	58,460	43,433	42,539	46,211	36,266	31,459
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	957,884	1,011,423	912,465	893,683	878,531	771,608	665,104
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

Notes to Required Supplementary Information
For the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

	Schedule of the City's Proportionate Share of the Net OPEB Liability									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.2874%	0.3073%	0.3020%	0.3100%	0.3232%	0.2972%				
Proportionate share of the net OPEB liability (asset)	\$ 2,447,700	\$ 2,484,517	\$ 2,790,845	\$ 2,293,736	\$ 2,304,007	\$ 2,457,000				
Covered payroll in year of measurement	1,866,376	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	131.15%	133.78%	156.25%	128.33%	127.21%	144.83%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				
	Schedule of the City's Contributions									
	County Employees' Retirement System (CERS)									
Contractually required contribution	\$ 132,438	\$ 195,410	\$ 176,804	\$ 170,039	\$ 187,144	\$ 169,350	\$ 158,615			
Actual contribution	132,438	195,410	176,804	170,039	187,144	169,350	158,615			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	1,953,359	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	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%			

Notes to Required Supplementary Information
For the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

	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	696,687	(30,687)
Total charges to appropriations	666,000	-	666,000	696,687	(30,687)
Operating transfers in	666,000	-	666,000	696,687	30,687
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ 55,906	\$ 55,906

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Edgewood, Kentucky as of and for the year ended June 30, 2023, 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 7, 2023.

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 7, 2023**