

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 22, 2021

Book Entry Only
New Issue

Rating: Moody's "Aa2"
See Rating herein

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption "LEGAL MATTERS – Tax Treatment" herein, interest on the Bonds is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$2,825,000*

CITY OF EDGEWOOD, KENTUCKY GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Dated: Date of Delivery

Due: December 1, as shown below

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2021	\$95,000				2027	\$275,000			
2022	265,000				2028	275,000			
2023	265,000				2029	280,000			
2024	265,000				2030	285,000			
2025	265,000				2031	285,000			
2026	270,000								

Interest on the captioned bonds (herein the "Bonds") will be payable from the dated date, on June 1 and December 1, commencing December 1, 2021, and the Bonds mature on each December 1, as shown above.

The Bonds are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest payments will be mailed by the Paying Agent to each holder of record as of the fifteenth day of the month preceding the date for such interest payment.

The Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Bonds is payable at the corporate trust office of U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar. The Bonds maturing on or after December 1, 2030 are subject to optional redemption prior to maturity at any time on or after December 1, 2029, as described herein.

The City deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by Frank A. Wichmann, Esq. City Attorney. The Bonds are expected to be available for delivery on or about October 13, 2021.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**RSA ADVISORS, LLC
FINANCIAL ADVISOR**

***Preliminary; subject to adjustment.**

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF EDGEWOOD, KENTUCKY

Mayor
John D. Link

City Council
Ben Barlage
Dale Henson
Darla Kettenacker
Joe Messmer
Jeff Schreiber
Rob Thelen
Kim Wolking

City Administrator
Brian Dehner

City Clerk
Belinda Nitschke

City Attorney
Frank Wichmann

BOND COUNSEL
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Covington, Kentucky

FINANCIAL ADVISOR
RSA Advisors, LLC
Louisville, Kentucky

BOND PAYING AGENT AND REGISTRAR
U.S. Bank National Association
Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Edgewood; and "State" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$2,825,000* aggregate principal amount of General Obligation Refunding Bonds, Series 2021 (the “Bonds”) of the City of Edgewood, Kentucky as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Edgewood, Kentucky (the “City”), a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is located in Kenton County in Northern Kentucky.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the “Ordinance”) adopted by the City Council of the City on September 20, 2021.

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) currently refunding the City’s outstanding General Obligation Refunding Bonds, Series 2011 (the “Prior Bonds”) maturing on or after December 1, 2022 (the “Refunded Bonds”), the proceeds of which were used to refund the City’s outstanding General Obligation Public Project Bonds, Series 2004, the proceeds of which were used to finance the costs of the acquisition, construction, installation and equipping of a combined administration building, police and fire station located within the City (the “Project”) and (ii) paying the costs of issuing the Bonds. (See “PLAN OF REFUNDING” and “DESCRIPTION OF THE PROJECT” herein.)

Sources of Payment for the Bonds

The Bonds are general obligation debt of the City. The basic security for the Bonds is the City’s ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable.

Description of the Bonds

The Bonds mature as indicated on the cover page hereof. The Bonds are being offered in the denominations of \$5,000 or any integral multiple thereof. The Bonds are initially being issued in Book-Entry-Only form registered in the name of DTC or its nominee. There will be no distribution of Bonds to ultimate purchasers (see “BOOK-ENTRY,” herein).

Redemption. The Bonds maturing on and after December 1, 2030 shall be subject to optional redemption prior to their maturity on any date on or after December 1, 2029, in whole or in part, in such order of maturity as shall be selected by the City, and by lot within a maturity, at the election of the City upon 35 days’ written notice to the Paying Agent and Registrar (as hereinafter defined) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption. The Bonds

maturing on December 1, 20__ are subject to mandatory sinking fund redemption commencing December 1, 20___. (See “DESCRIPTION OF THE BONDS - Redemption Provisions”, herein).

Book Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Registrar and Paying Agent (the “Trustee, Registrar and Paying Agent”). See “BOOK-ENTRY” herein.

Payment of Bonds and Paying Agent and Registrar

Principal of the Bonds will be paid in lawful money of the United States of America at the offices of U.S. Bank National Association, Louisville, Kentucky (the “Paying Agent and Registrar”), and interest shall be mailed by the Paying Agent and Registrar to the record date registered holders at the address of such holder maintained on the registration book of the Paying Agent and Registrar. The record dates for June 1 and December 1 interest payment dates on the Bonds shall be the preceding May 15 and November 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and bear interest at the rates set forth on the cover hereof, payable semi-annually on June 1 and December 1, beginning December 1, 2021.

Tax Treatment

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended.

See “LEGAL MATTERS – Tax Treatment” herein and Appendix E for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Registrar is U.S. Bank National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest on the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The Financial Advisor to the City is RSA Advisors, LLC.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about October 13, 2021 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the authorizing ordinances and the note forms, are available from the City.

The City deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

COVID-19 Pandemic

On March 6, 2020, the Commonwealth of Kentucky declared a state of emergency in regards to the outbreak of COVID-19 (the “COVID-19 Pandemic”) and the United States subsequently declared a national emergency on March 13, 2020. In January of 2021, the first COVID-19 vaccines became available and in May of 2021, most state mandates and regulations related to the COVID-19 pandemic expired. The long term effects of the COVID-19 pandemic may be significant and are undetermined at this time, however, COVID-19 has so far caused the deaths of over 4,250,000 people worldwide. (See “IMPACT OF THE COVID-19 PANDEMIC” herein).

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from RSA Advisors, LLC, Financial Advisor to the City of Edgewood, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Telephone (859) 977-6600.

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DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2021. Interest on all Bonds is payable by check or draft mailed to the registered holder by U.S. Bank National Association, Louisville, Kentucky, the Paying Agent and Registrar. Principal is payable when due to the registered holder upon surrender of the Bonds at the corporate trust office of the Paying Agent and Registrar in Louisville, Kentucky.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after December 1, 2030 shall be subject to optional redemption prior to their maturity on any date on or after December 1, 2029, in whole or in part, in such order of maturity as may be designated by the City, and by lot within a maturity, at the election of the City upon 45 days' written notice to the Paying Agent and Registrar (as hereinafter defined) at a redemption prices equal to the par amount thereof, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on December 1, 20__ are subject to mandatory sinking fund redemption on December 1, of the years in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount Subject to Redemption</u>
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Notice of Redemption

If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed from such series shall be selected by lot by the Paying Agent and Registrar, in such manner as the Paying Agent and Registrar in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Paying Agent and Registrar shall treat each bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state

also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Paying Agent and Registrar for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders or registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Paying Agent and Registrar for payment of the principal amount hereof so called for redemption, and the City shall execute and the Paying Agent and Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due. The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the City. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also maintains a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Bonds and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

BOOK ENTRY

The Bonds initially will be issued solely in certificated form, but may be issued in book entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, NY. So long as such book entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the City nor the Paying Agent and Registrar make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond for each maturity will be issued and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent and Registrar and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent and Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent and Registrar's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable but neither the City nor the Paying Agent and Registrar take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AND REGISTRAR AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The City and the Paying Agent and Registrar cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, the Ordinance provides for issuance of fully registered Bonds (“Replacement Bonds”) directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only in the event that DTC resigns or is removed as the securities depository for the Bonds. Upon the occurrence of this event, the City and the Paying Agent and Registrar may appoint another qualified depository. If the City and the Paying Agent and Registrar fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the City shall execute and the Paying Agent and Registrar, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The City will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds shall be made as provided in the Ordinance.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

PLAN OF REFUNDING

The Bonds are being issued for the purpose of currently refunding the City’s outstanding General Obligation Refunding Bonds, Series 2011 (the “Prior Bonds”) maturing on or after December 1, 2022 (the

“Refunded Bonds”) and (ii) paying the costs of issuing the Bonds. The refunding plan is being undertaken to provide interest costs savings to the City.

DESCRIPTION OF THE PROJECT

The Prior Bonds were issued to finance the costs of the acquisition, construction, installation and equipping of a combined administration building, police and fire station located within the City (the “Project”). The Project replaced the prior fire and police station as well as the prior administration building located at the same location.

SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$
[Plus Original Issue Premium][Less Original Issue Discount]	\$
Total Sources	\$

Uses:

Underwriter’s Discount	\$
Cost of Issuance	\$
Total Uses	\$

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the City.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the City should change, that the market price of the Bonds could be adversely affected.

With regard to the risk involved in a lowering of the City’s bond rating, see “RATING” herein. With regard to creditors’ rights, see “SECURITY AND SOURCE OF PAYMENT FOR BONDS” herein.

Impact of the COVID-19 Pandemic

General. The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in China in December 2019. COVID-19 has since spread across the world, resulting in the death of more than 4,250,000 people internationally and more than 614,000 people in the United States. In March 2020, the outbreak of COVID-19 was declared a pandemic (the “COVID-19 Pandemic”) by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic have caused widespread and significant changes in economic activity. Certain sectors of the global, national, and local economies are experiencing negative effects due to reduced consumer spending and increased unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Unemployment in the United States and in the Commonwealth has increased as a result of the COVID-19 Pandemic.

In late March of 2020, the United States enacted the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”), a \$2.2 trillion economic stimulus bill aimed at mitigating the economic and health effects of COVID-19. The CARES Act provided money and support to individuals in the form of increased unemployment and direct payments and provided money and support to many different businesses and governmental entities. On May 1, 2021, a second \$1.9 trillion economic stimulus bill was passed, which will provide additional direct payments to individuals and another round of funding for various different businesses including an additional \$350 billion in relief to state, local, and tribal governments.

In December of 2020, the first COVID-19 vaccine, developed by Pfizer-BioNTech, began distribution in the United States and a subsequent vaccine, developed by Moderna, began distribution in late December. A third vaccine, developed by Johnson & Johnson, began distribution in late February of 2021. As of August 1, 2021, nearly 58% of the total United States population had received at least one dose of a vaccine, and nearly 50% of the population is considered fully vaccinated. For the United States population over the age of 65, the percentages are approximately 90% and 80%, respectively.

There can be no assurances as to the continuing materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

Impact on the Commonwealth. On March 18, 2020, pursuant to an executive order issued by the Governor of the Commonwealth, Andy Beshear, all businesses that encourage public congregation, such as entertainment, recreational, and sporting event facilities, were required to cease operations. In response to increases in new cases of COVID-19 in late June and early July 2020, Governor Beshear signed an executive order mandating masks in most public places for thirty days-and which executive order has been renewed and is ongoing.

On April 21, 2020, Governor Beshear announced the “Healthy at Work” initiative, a phased plan to reopen the economy of the Commonwealth, based on criteria set by public health experts and advice from industry experts, with progress to be monitored by the Kentucky Department for Public Health. The Healthy at Work initiative set out minimum requirements for all businesses, such as social distancing, face coverings, hand-washing, proper sanitation, and temperature checks. Additionally, the Healthy at Work initiative provides industry-specific guidance with additional rules and requirements for certain types of businesses.

As of April 5, 2021, all persons age 16 and older are eligible to receive the COVID-19 vaccine. Beginning in May, and concluding on June 11, 2021, most Kentucky regulations and mandates (excluding those for certain higher-risk activities) relating to COVID-19, elapsed. As of September 1, 2021, nearly 56% of Kentucky’s population is considered fully vaccinated.

COVID-19 Delta Variant. The Delta Variant is a new mutation of COVID-19 which was first detected in India in December of 2020. Since that time, the Delta Variant has become the primary version of COVID-19 in the United States. Initial research indicates that the Delta Variant may be more contagious than prior versions of the COVID-19 virus. Beginning in June of 2021, the United States and the Commonwealth of Kentucky have both seen an increase in average cases per week, due to the Delta Variant.

Impact on the City. The City cannot predict the full economic impact that the COVID-19 Pandemic or the Delta Variant will have on its financial condition or operations. The City will continue to monitor the impact on its revenue collections and operations.

PROFILE OF THE CITY AND SURROUNDING AREA

Economic and financial information with respect to the City is set forth in Appendix A hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City of Edgewood is governed by a City Council, comprised of a Mayor, elected to a four year term, and seven (7) council members who are elected to two year terms. The members of the City Council and their terms of office are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Mayor John D. Link	January 1, 1994	December 31, 2022
Ben Barlage	October 7, 2013	December 31, 2022
Dale Henson	January 1, 1995	December 31, 2022
Darla Kettenacker	January 1, 2021	December 31, 2022
Joe Messmer	January 1, 2009	December 31, 2022
Jeff Schreiver	January 1, 1996	December 31, 2022
Rob Thelen	January 1, 2015	December 31, 2022
Kim Wolking	September 4, 2018	December 31, 2022

The current appointed City officials who serve at the pleasure of City Council are:

City Administrator	Brian Dehner
City Clerk	Belinda Nitschke
City Attorney	Frank W. Wichmann

Financial Matters

The Treasurer is the fiscal officer of the City, and is appointed by and serves at the pleasure of the City Council. The Treasurer is responsible for the accounting, collection, custody and disbursement of the funds of the City. The Treasurer serves the City Council and the City Coordinator as financial advisor in connection with City affairs, and performs such other duties as the City Council or City Coordinator request.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the City Council.
2. Planning and development, the City Administrator.
3. Assessment of real and personal property, the Kenton County Property Valuation Administrator.
4. Financial control functions, the Treasurer.
5. Inspection and supervision of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The City Council is responsible for appropriating the funds used to support the various City activities. The City Council exercises its legislative powers by budgeting, appropriating, levying taxes issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in the Commonwealth is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues and the available fund balance in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations; which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These

investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

- (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 governmental agency, including but not limited to:
 - 1. United States Treasury;
 - 2. Export-Import Bank of the United States;
 - 3. Farmers Home Administration;
 - 4. Governmental National Mortgage corporation; and
 - 5. Merchant Marine bonds;

- (c) Obligations of any corporation of the United States government, including but not limited to:
 - 1. Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. Bank for Cooperatives;
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. Federal National Mortgage Association; and
 - 8. Tennessee Valley Authority;

- (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 KRS 41.240(d);

- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;

- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

- (j) Shares of mutual funds, each of which shall have the following characteristics;
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The City's current investment policy is more restrictive than is permitted by State law.

The City values safety, liquidity and return, in that order.

Debt Limitation

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%); and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness." In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix C.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation. Appendix C of this Official Statement is a Statement of Indebtedness for the City, certified by the Treasurer, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (5% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 5% total direct debt limitation is \$36,937,586 and the City's net debt subject to such limitation presently outstanding (including the Bonds and excluding the Refunded Bonds) is \$5,105,000 leaving a balance of approximately \$31,832,596 borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and

- (c) cities having a population of less than ten thousand, seventy-five cents on the hundred dollars.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix C of this Official Statement contains a Statement of Indebtedness, certified by the City, setting forth the property tax rates currently levied by the City of \$0.233 per \$100 for real property and \$0.233 for personal property, certifying that the issuance of the Bonds will not cause such rates to increase to amounts which would exceed the maximum permissible rates.

Bond Anticipation Notes

Under Kentucky law, notes, including renewal notes, issued in anticipation of general obligation bonds may be issued from time to time upon the same terms and conditions as bonds except that notes may be sold by private negotiated sale in a manner determined or authorized by the legislative authority.

The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing.

Future Borrowings of the City

The City does not presently anticipate any additional borrowings for the foreseeable future.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of Tax-Exempt Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon delivery of the Bonds of the City to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of such legal opinion for the Bonds is attached as Appendix E.

Said firm as Bond Counsel has performed certain functions to assist the City in the preparation by the City of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders or holders of the Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Bonds", "Debt Limitation", "Tax Limitation" and "Tax Treatment", which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the City when the Bonds are delivered to the original purchaser. The City will also provide to the original purchaser, at the time of such delivery, a certificate from the City's Mayor and or Treasurer addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds or the improvements being financed from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Treatment

General

In the opinion of Bond Counsel for the Tax-Exempt Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix E, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions

regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

Original Issue Premium

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the “Premium Bonds”). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the bondholder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original bondholder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a

Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

RATING

Moody's Investors Service, Inc. ("Moody's") has given the Bonds the rating of "Aa2". Such rating reflects only the view of Moody's. An explanation of the significance of the rating given by Moody's may be obtained from Moody's Investors Service at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the City (the "Obligated Person") will agree pursuant to an Undertaking to be dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix A," Appendix B and "Appendix C" of the Official Statement ("Financial Data"). The annual financial information shall be provided within 210 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2022; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

- (o) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

To the best knowledge of the City, the City is in compliance with the provisions of the Rule with respect to any prior continuing disclosure undertakings under the Rule.

UNDERWRITING

The Bonds are being purchased for reoffering by _____ (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Bonds, less original issue discount of \$_____ and less underwriter’s discount of \$_____). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

RSA Advisors, LLC (“Financial Advisor”), Lexington, Kentucky has been employed as Financial Advisor in connection with the issuance of the Bonds. Financial Advisor’ fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither

this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the City of Edgewood, Kentucky, by its Mayor.

CITY OF EDGEWOOD, KENTUCKY

By: /s/ John Link
Mayor

Dated: October __, 2021

APPENDIX A
CITY OF EDGEWOOD, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

DEMOGRAPHIC, ECONOMIC AND FINANCIAL DATA

CITY OF EDGEWOOD, KENTUCKY

Edgewood is located in Northern Kentucky, in Kenton County, and is located approximately 10 miles south of Cincinnati, Ohio, 93 miles northeast of Louisville; and almost 77 miles north of Lexington, Kentucky. Edgewood had an estimated population of 8,751 in 2020.

The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Metropolitan Statistical Area. Kenton County had a 2020 population of 167,039.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle is more than one-third of the state's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving from each other.

The Economic Framework

Edgewood has a labor force of 4,601 people. The top 5 jobs by occupation are as follows: office and administrative support - 533 (14.3%); sales – 317 (8.51%); executive, managers, and administrators – 305 (8.18%); education training/library – 303 (8.13%); and health diagnosing and treating practitioners – 262 (7.03%).

Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The interstates can be accessed 1 mile away from Independence. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. However, there are 16 airports within 50 miles of Edgewood. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River. Residents of Edgewood spend an average of 21 minutes commuting to work.

Power and Fuel

Electric power is provided to Boone, Campbell and Kenton Counties by Duke Energy Kentucky, Kentucky Utilities, the East Kentucky Power Cooperative and Owen Electric Cooperative Inc. Natural gas services are provided by Duke Energy Kentucky.

Education

Primary and secondary education is provided by the Boone, Campbell, and Kenton County Public School Systems; eleven independent school systems; and 38 nonpublic schools within the three-county area. There are 5 major universities within 50 miles of the city.

LABOR MARKET STATISTICS

The Labor Market Area includes Boone, Kenton, Campbell, Grant and Pendleton counties in Kentucky. Hamilton and Clermont counties in Ohio, as well as, Dearborn, Ripley and Ohio counties in Indiana.

Population

Description	-----Estimate Year-----				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Kenton County	165,980	167,512	166,513	166,051	167,039
Edgewood	8,807	8,872	8,715	8,685	8,751

Source: U.S. Department of Commerce, Bureau of the Census. And Kentucky Cabinet for Economic Development

Population Projections

Description	Estimated Projection
	<u>2025</u>
Kenton County	169,964
Edgewood	8,988

Source: Kentucky Cabinet for Economic Development

Unemployment Statistics

Description	-----Year Ending December 31-----				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
County of Kenton					
Civilian Labor Force	84,703	86,597	87,423	88,326	85,444
Employment	81,200	83,143	84,408	85,189	80,381
Unemployment	3,503	3,454	3,015	3,137	5,063
Unemployment Rate	4.10%	4.00%	3.40%	3.60%	5.9%
State of Kentucky:					
Civilian Labor Force	2,015,160	2,053,074	2,057,791	2,072,586	1,988,456
Employment	1,911,978	1,952,513	1,968,611	1,983,577	1,861,208
Unemployment	103,182	100,561	89,180	89,009	137,248
Unemployment Rate	5.10%	4.90%	4.30%	4.30%	6.90%
US Comparable Rate:					
Unemployment Rate	4.90%	4.40%	3.90%	3.70%	8.10%

**Not Seasonally Adjusted*

Source: The Kentucky Center for Statistics

LOCAL GOVERNMENT

Structure

Edgewood's Government structure consists of a Mayor and seven Council Members. The Mayor serves a four-year term while the Council Members serve two-year terms. Kenton County is served by a Judge/Executive and three Commissioners. The Judge Executive and Commissioners are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes enforced—Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

The table below lists the assessed property valuation subject to taxation of the city as reported by the Department of Revenue, Frankfort, Kentucky and the City.

Description	2017	2018	2019	2020	2021
Total Assessments	\$771,576,750	\$778,838,950	\$789,193,150	\$858,614,800	\$868,920,800

Ten Largest Taxpayers

The following tables list the ten largest real property & tangible property taxpayers of the City as reported by the City of Edgewood.

<u>Rank</u>	<u>Tax Payer</u>	<u>Assessed Valuation</u>	<u>Real Property Taxes Paid</u>
1	Edgewood Plaza Holdings	\$7,475,000	\$18,762
2	HCP MA3 Kentucky LP	5,600,000	14,056
3	American Health Resources	5,000,000	12,550
4	Individual	3,203,900	8,299
5	Individual	2,918,000	7,582
6	Individual	2,600,000	6,784
7	Store Master Funding V, LLC	2,040,500	5,121
8	Individual	1,920,000	4,819
9	Next Daybreak Inc.	1,800,000	4,518
10	First Financial Bank NA	1,724,000	4,327

The table below lists the tax collection history of the City as reported by the City.

Tax Collection History

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>
Taxes Due	\$2,534,042	\$2,612,917	\$2,794,267	\$2,812,661	\$2,811,082
Taxes Collected	2,471,468	2,557,095	2,697,163	2,715,929	2,768,346
% Collected	102%	99%	99%	97%	99%

EDUCATION

Public Schools

	<u>Kenton County Schools</u>
Total Enrollment (2019-2020)	14,025
Pupil-Teacher Ratio	18 - 1

Colleges and Universities

62.11% of the population in Edgewood have an Associate's degree or higher. 51.09% have a bachelor's degree or higher.

<u>Top 5 Universities within 50 Miles</u>	<u>Number of Graduates (Independence)</u>
University of Cincinnati	9,779
Miami University – Oxford	5,472
Northern Kentucky University	2,938
Xavier University	1,769
Cincinnati State Technical & Community College	1,086

EXISTING INDUSTRY

Edgewood has a total of 368 businesses in 2020. The leading industries in the city were Office and Administrative Support, Sales, Executive, Managers, and Administrators, and Education/Training/Library.

<u>Industry</u>	<u>Number of Jobs</u>
Office and Administrative Support	533
Sales	317
Executive, Managers, and Administrators	305
Education/Training/Library	303

FINANCIAL INSTITUTIONS

<u>Institution</u>	
Branch Banking & Trust Co	Branch of Winston-Salem, NC
Fifth Third Bank	Branch of Cincinnati, OH
Heritage Bank, Inc.	Branch of Erlanger
The Huntington National Bank	Branch of Columbus, OH
US Bank, NA	Branch of Cincinnati, OH

Source: *McFadden American Financial Directory, January – June 2020*

PROPERTY TAX RATES

	-----Tax Year 2016-----			-----Tax Year 2017-----			-----Tax Year 2018-----			-----Tax Year 2019-----			-----Tax Year 2020-----		
	Real	Motor		Real	Motor		Real	Motor		Real	Motor		Real	Motor	
	Estate	Tangible	Vehicle	Estate	Tangible	Vehicle	Estate	Tangible	Vehicle	Estate	Tangible	Vehicle	Estate	Tangible	Vehicle
County-															
Extension Services	\$0.0095	\$0.0108	\$0.0103	\$0.0098	\$0.0114	\$0.0109	\$0.0102	\$0.0123	\$0.0114	\$0.0104	\$0.0122	\$0.0123	\$0.0105	\$0.0127	\$0.0123
General	\$0.1480	\$0.2040	\$0.1580	\$0.1480	\$0.2040	\$0.1580	\$0.1550	\$0.2040	\$0.1580	\$0.1590	\$0.2020	\$0.1580	\$0.1590	\$0.2020	\$0.1580
Health	\$0.0200	\$0.0200	\$0.0200	\$0.0200	\$0.0200	\$0.0200	\$0.0230	\$0.0230	\$0.0200	\$0.0253	\$0.0253	\$0.0230	\$0.0253	\$0.0253	\$0.0253
Library	\$0.1130	\$0.1971	\$0.0600	\$0.1130	\$0.1971	\$0.0600	\$0.1130	\$0.1971	\$0.0600	\$0.1130	\$0.1971	\$0.0600	\$0.1130	\$0.1971	\$0.0600
N.KY Area Planning	\$0.0290	\$0.0293	\$0.0293	\$0.0290	\$0.0293	\$0.0293	\$0.0296	\$0.0296	\$0.0293	\$0.0295	\$0.0295	\$0.0296	\$0.0268	\$0.0268	\$0.0295
Totals:	\$0.3195	\$0.4613	\$0.2776	\$0.3199	\$0.4619	\$0.2782	\$0.3308	\$0.4660	\$0.2787	\$0.3372	\$0.4661	\$0.2829	\$0.3346	\$0.4639	\$0.2851
School-															
Kenton Co. Schools	\$0.6210	\$0.6210	\$0.6350	\$0.6380	\$0.6380	\$0.6350	\$0.6590	\$0.6590	\$0.6350	\$0.6720	\$0.6720	\$0.6350	\$0.6710	\$0.6730	\$0.6350
City-															
Edgewood	\$0.2440	\$0.2440	\$0.0000	\$0.2530	\$0.2530	\$0.0000	\$0.2520	\$0.2520	\$0.0000	\$0.2510	\$0.2510	\$0.0000	\$0.2330	\$0.2330	\$0.0000

APPENDIX B

**CITY OF EDGEWOOD, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021**

**FINANCIAL STATEMENTS OF CITY OF EDGEWOOD,
KENTUCKY FOR FISCAL YEAR ENDING JUNE 30, 2020**

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

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

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CITY OF EDGEWOOD, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2020

Mayor

John D. Link

Council Members

Ben Barlage

Dale Henson

Joseph A. Messmer

Jeff Schreiber

Rob Thelen

Anthony C. Ward

Kim Wolking

Department Heads

City Administrator

Brian Dehner

Police Chief

Brian Zurborg

City Attorney

Frank Wichmann

City Clerk

Belinda Nitschke

Fire/EMS Chief

Tom Dickman

General Services Director

Hillard Vance

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Edgewood, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of City contributions and net pension liability on pages 7-11 and 45-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of the City of Edgewood, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Edgewood, Kentucky's internal control over financial reporting and compliance.

RANKIN, RANKIN, & COMPANY

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Edgewood, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's basic financial statements that begin on page 12.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 14. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

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

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, fiduciary and proprietary funds. All activities of the City are included in the governmental funds. The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 46 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019:

Table 1 – Net Position of Governmental Activities

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

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$14.98M as of June 30, 2020, a \$631K decrease from the prior year.

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

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

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

Table 2 - Change in Net Position

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

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$10.04M and expenditures and other financing uses of \$8.81M. Revenues increased 5.7% while expenses decreased by 3.6%. The decrease in expenses is due primarily to the \$200K less in capital expenditures for the current year.

General Fund Budget Highlights

The City's General Fund budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning budgetary fund balance for the fiscal year was \$6.95M.

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

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

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

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

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

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

GASB 68 Pension and GASB 75 OPEB Liability Recognition

As of June 30, 2020, the City recognized net pension and other post-employment benefits liabilities of \$13,726,969 based on a June 30, 2019 measurement date compared to \$12,659,289 in FY 2019. Detailed information on this liability, and its associated deferred outflows and inflows can be found in Note 8 to the financial statements.

Economic Factors in Next Year's Budget

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

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the City Administrator's office, City of Edgewood, 385 Dudley Road, Edgewood, Kentucky 41017.

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

Assets	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 5,312,532
Investments - current	2,112,221
Receivables	
Property taxes	21,072
Payroll taxes	1,025,120
Waste fees	8,369
Intergovernmental receivables	744,155
Interest receivable	3,191
Other receivables	32,909
Prepaid expenses	3,482
Total Current Assets	<u>9,263,051</u>
Capital Assets	
Land and construction in progress	2,171,520
Depreciable capital assets	42,162,225
Less: accumulated depreciation	(22,091,348)
Net Capital Assets	<u>22,242,397</u>
Total Assets	<u>31,505,448</u>
Deferred Outflow of Resources	
Discount on bonds, net	40,098
Bond refunding costs, net	213,600
Deferred outflow of resources related to pensions and other post-employment benefits	3,720,508
Total Deferred Outflows of Resources	<u>3,974,206</u>
Total Assests and Deferred Outflows of Resources	<u>35,479,654</u>
Liabilities	
Current Liabilities	
Accounts payable	225,457
Accrued liabilities	485,532
Compensated absences	65,081
Current portion of bonds and leases payable	548,578
Total Current Liabilities	<u>1,324,648</u>
Long-term Liabilities	
Bonds and leases payable	4,256,572
Net pension and other post-employment benefits liability	13,726,969
Total Long-Term Liabilities	<u>17,983,541</u>
Total Liabilities	<u>19,308,189</u>
Deferred Inflow of Resources	
Deferred inflow of resoures related to pensions and other post-employment benefits	1,188,493
Total Deferred Inflow of Resources	<u>1,188,493</u>
Total Liabilities and Deferred Inflow of Resources	<u>20,496,682</u>
Net Position	
Invested in capital assets, net of related debt	17,690,945
Restricted for debt service	55,906
Unrestricted	(2,763,879)
Total Net Position	<u>\$ 14,982,972</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, 2020

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

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,967,643	\$ 55,906	\$ 5,023,549
Investments	2,112,221	-	2,112,221
Receivables			
Property taxes	21,072	-	21,072
Payroll taxes	1,025,120	-	1,025,120
Waste fees	8,369	-	8,369
Intergovernmental receivables	744,155	-	744,155
Interest receivable	3,191	-	3,191
Other receivables	32,909	-	32,909
Due from other funds	5,830	-	5,830
Prepaid expenses	3,482	-	3,482
Total Assets	<u>\$ 8,923,992</u>	<u>\$ 55,906</u>	<u>\$ 8,979,898</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 225,457	\$ -	\$ 225,457
Accrued salaries	254,196	-	254,196
Accrued liabilities	231,336	-	231,336
Deferred revenue	35,040	-	35,040
Total Liabilities	<u>746,029</u>	<u>-</u>	<u>746,029</u>
Fund Balances			
Unspendable	3,482	-	3,482
Restricted for debt service	-	55,906	55,906
Unassigned	8,174,481	-	8,174,481
Total Fund Balances	<u>8,177,963</u>	<u>55,906</u>	<u>8,233,869</u>
Total Liabilities and Fund Balances	<u>\$ 8,923,992</u>	<u>\$ 55,906</u>	<u>\$ 8,979,898</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, 2020</p>
--

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

Total fund balance per balance sheet		\$ 8,233,869
Capital assets of \$43,553,490, less accumulated depreciation of (\$22,076,382), used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,242,397
Deferred charges represent funds received for future projects that will not require current funds and therefore are reported as deferred revenues in the governmental funds.		35,040
Costs of issuance of debt, premiums and discounts expensed for governmental funds are carried as deferred charges in the statement of net position.		
Bond discount	\$ 63,968	
Less: accumulated amortization	<u>(23,870)</u>	40,098
Deferred refunding costs	518,637	
Less: accumulated amortization	<u>(305,037)</u>	213,600
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:		
Deferred outflows related to pension and OPEB		3,720,508
Deferred inflows related to pension and OPEB		<u>(1,188,493)</u>
An internal service fund is used to charge the revenues and cost of the self-insured health insurance plan. The assets and liabilities of the internal service fund must be added to the statement of net assets		283,153
Long-term liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		
Compensated absences		(65,081)
Net pension and post-employment health insurance liability		<u>(13,726,969)</u>
Bonds and leases payable		<u>(4,805,150)</u>
Net position of governmental activities		<u>\$ 14,982,972</u>

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

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

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

<p>CITY OF EDGEWOOD, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020</p>
--

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

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

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

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

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:

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

Deferred refunding costs are reported for governmental activities as a deferred outflow and amortized over the life of the bond and it is a component of interest expense, but is not reported in the governmental funds. This is the amortized interest expense. (32,795)

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

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (1,567)

An internal service fund is used to charge the revenues and cost of the self insured health insurance plan. The net revenues(expenses) of the internal service fund is reported with governmental activities 81,902

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 – ACCOUNTING POLICIES

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

The Reporting Entity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position. Fiduciary funds are reported using the economic resources measurement focus.

The City has the following funds:

Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This is a major fund of the City.

Proprietary Funds

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

Fiduciary Funds

- (A) Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs. The reporting focus is on net position and changes in net position. This Fiduciary Fund is detailed in **NOTE 9** below.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements,

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances. The City's General Fund has a receivable due from the Health Insurance Fund (internal service fund) of \$5,830.

Property Tax Receivable

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

Prepaid Items

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

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements that extend the life or increase the use of an asset are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. For City infrastructure, complete street replacement is capitalized.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

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

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

Accrued Liabilities and Long-Term Obligations

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

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

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

Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

- a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- c) Obligations of any corporation of the United States government.
- d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

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

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

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

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

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

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

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

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2020 in the amount of \$997,273 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

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

Annuity Contract – The City's investment in an annuity contract is carried at the fair value determined by an insurance company, a level 3 measurement. The annuity carries a guaranteed effective annual yield of 2.20% through November 2020.

NOTE 5 - CAPITAL ASSETS

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

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

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

NOTE 6 – LINE OF CREDIT

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

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

NOTE 7 – LONG TERM DEBT

General Obligation Refunding Bond, Series 2011

This \$3,865,000 bond was obtained to refund part of the City Building Bonds, Series 2004. Interest payments on the Series 2011 bond are due June 1 and December 1. The principal payments are paid on December 1. The interest rate is 2.0% until 2022 and between 2.375% and 3.25% until the final payment which is due on December 1, 2034.

The General Obligation Refunding Bond (City Building) is scheduled to mature as follows:

Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	2.0%	\$ 170,000	\$ 81,806	\$ 251,806
2022	2.0%	170,000	78,406	248,406
2023	2.4%	175,000	74,956	249,956
2024	2.4%	180,000	71,069	251,069
2025	2.4%	180,000	66,794	246,794
2026-2030	2.4%	1,000,000	257,312	1,257,312
2031-2035	2.4-3.3%	1,160,000	94,947	1,254,947
		<u>\$ 3,035,000</u>	<u>\$ 725,290</u>	<u>\$ 3,760,290</u>

BB&T Capital Lease

On February 5, 2016, the City obtained a capital lease for \$3,200,000 to pay off a higher interest line of credit, which was extended to pay for significant road projects in the City. The interest rate is 2.18% and matures on September 1, 2024.

The BB&T Capital Lease is scheduled to mature as follows:

Years Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	2.18%	\$ 378,578	\$ 36,537	\$ 415,115
2022	2.18%	386,876	28,239	415,115
2023	2.18%	395,356	19,759	415,115
2024	2.18%	404,021	11,094	415,115
2025	2.18%	205,319	2,238	207,557
		<u>\$ 1,770,150</u>	<u>\$ 97,867</u>	<u>\$ 1,868,017</u>

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

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

Type of Debt	Debt			Debt	
	Outstanding June 30, 2019	Additions of New Debt	Repayments	Outstanding June 30, 2020	Amounts Due Within 1 Year
General Obligation Refunding Bonds Series 2011	\$ 3,200,000	\$ -	\$ 165,000	\$ 3,035,000	\$ 170,000
BB&T Capital Lease 2016	2,140,608	-	370,458	1,770,150	378,578
	<u>\$ 5,340,608</u>	<u>\$ -</u>	<u>\$ 535,458</u>	<u>\$ 4,805,150</u>	<u>\$ 548,578</u>

Conduit Debt Obligations

The City has issued Industrial Building Revenue Bonds to provide financial assistance to private-sector entities for the purchase or addition of property including land and a building. The bonds are secured by the properties financed and are payable solely from the private-sector entities. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2020, there were two Industrial Building Revenue Bonds outstanding with principal amounts payable totaling \$6,689,609

NOTE 8 – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description - Employees are covered by CERS (County Employees Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

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

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87 Not available

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

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

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

Hazardous Pension Plan Description

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

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

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

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

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

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

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

Contributions

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

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

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

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

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$706,947, of which \$536,908 was for the pension fund and \$170,039 was for the health insurance fund

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

At June 30, 2020, the City reported a liability of \$10,879,870 as its proportionate share of the net pension liability (\$2,314,434 for the non-hazardous plan and \$8,565,436 for the hazardous duty plan) The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.0329% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.3101% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$1,623,433 in addition to its \$709,389 pension contribution.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

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

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

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

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2017, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Amortization period	26 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05-3.30%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer

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

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

Changes of Assumptions

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

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

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

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- The asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 2,894,701	\$ 2,314,434	\$ 1,830,788
Hazardous	10,708,717	8,565,436	6,808,255
Total	<u>\$ 13,603,418</u>	<u>\$ 10,879,870</u>	<u>\$ 8,639,043</u>

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

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

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

Hazardous OPEB Plan Description

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

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% for hazardous duty employees; actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$42,539 for non-hazardous duty employees and \$170,039 for hazardous duty employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$2,847,099 as its proportionate share of the net OPEB liability (\$553,363 for the non-hazardous plan and \$2,293,736 for the hazardous duty plan) The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan

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

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

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

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

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2017, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013

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

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

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

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

Changes of Assumptions

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

- Annual salary increases were updated.

CITY OF EDGEWOOD, KENTUCKY

Notes to Financial Statements

June 30, 2020

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

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

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

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

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

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

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- The asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan and 5.69% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.68% for the non-hazardous plan, and 5.69% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

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

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

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

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

Plan Fiduciary Net Position

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

NOTE 9 – SECTION 457 RETIREMENT PLAN

The City also offers, on a voluntary basis, an IRS Section 457 retirement plan, through an independent plan provider, for its employees. A Section 457 plan is a non-qualified, tax advantaged, deferred compensation retirement plan that is available to governmental employers in the United States. The City provides the plan and employees who wish to participate defer compensation into it on a pre-tax or after-tax (Roth) basis. This plan is held by the City as a fiduciary fund, as noted in NOTE A, but is wholly owned by the employees who participate and is not an asset of the City. The total net position of this fund at June 30, 2020 was \$159,807.

NOTE 10 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

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

NOTE 11 – CLAIMS AND JUDGEMENTS

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

NOTE 12 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE 13 – FUTURE ACCOUNTING STANDARDS

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

Statement No. 87 – *Leases* – FY 2022

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

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

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

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

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

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

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

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

NOTE 14 – COVID-19 GLOBAL PANDEMIC

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

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

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND
For the Year Ended June 30, 2020

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

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

Continued on next page

CITY OF EDGEWOOD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND - (Continued)
For the Year Ended June 30, 2020

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

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

CITY OF EDGEWOOD, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS****For the Year Ended June 30, 2020****Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.0329%	0.0323%	0.0272%	0.0263%	0.0267%	0.0239%				
Proportionate share of the net pension liability (asset)	\$ 2,314,434	\$ 1,968,569	\$ 1,590,929	\$ 1,292,919	\$ 1,148,876	\$ 775,925				
Covered payroll in year of measurement	878,531	771,608	665,104	626,489	670,051	548,671				
Share of the net pension liability (asset) as a percentage of its covered payroll	263.44%	255.13%	239.20%	206.38%	171.46%	141.42%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 172,481	\$ 142,498	\$ 111,729	\$ 92,782	\$ 77,810	\$ 85,431	\$ 75,387			
Actual contribution	172,481	142,498	111,729	92,782	77,810	85,431	75,387			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	893,683	878,531	771,608	665,104	626,489	670,051	548,671			
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%			

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

The net pension liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

CITY OF EDGEWOOD, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS
For the Year Ended June 30, 2020

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.3101%	0.3230%	0.2972%	0.3063%	0.2976%	0.2678%				
Proportionate share of the net pension liability (asset)	\$ 8,565,436	\$ 7,812,487	\$ 6,649,550	\$ 5,255,708	\$ 4,567,926	\$ 3,217,984				
Covered payroll in year of measurement	1,787,431	1,811,228	1,696,421	1,623,930	1,401,874	1,356,182				
Share of the net pension liability (asset) as a percentage of its covered payroll	479.20%	431.34%	391.98%	323.64%	325.84%	237.28%				
Plan fiduciary net position as a percentage of total pension liability	46.63%	49.26%	53.95%	53.95%	57.52%	63.46%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 536,908	\$ 444,355	\$ 402,093	\$ 368,293	\$ 329,008	\$ 321,730	\$ 295,241			
Actual contribution	536,908	444,355	402,093	368,293	329,008	321,730	295,241			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	1,786,122	1,787,431	1,811,228	1,696,421	1,623,930	1,401,874	1,356,182			
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%			

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

The net pension liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

CITY OF EDGEWOOD, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS**

For the Year Ended June 30, 2020

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.0329%	0.032340%	0.027180%							
Proportionate share of the net OPEB liability (asset)	\$ 553,363	\$ 574,226	\$ 546,411							
Covered payroll in year of measurement	878,531	771,608	665,104							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	62.99%	74.42%	82.15%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 42,539	\$ 46,211	\$ 36,266	\$ 31,459						
Actual contribution	42,539	46,211	36,266	31,459						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	893,683	878,531	771,608	665,104						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%						

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

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

CITY OF EDGEWOOD, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS
For the Year Ended June 30, 2020

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

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

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

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

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

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 8 in the Notes to the Financial Statements.

CITY OF EDGEWOOD, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
For the Year Ended June 30, 2020

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Edgewood, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Edgewood, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Edgewood, Kentucky's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Edgewood, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RANKIN, RANKIN & COMPANY

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

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

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SINGLE AUDIT SECTION



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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Report on Internal Control over Compliance

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

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

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

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

RANKIN, RANKIN & COMPANY

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

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

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

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

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

CITY OF EDGEWOOD, KENTUCKY
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

NOTE A – BASIS OF PRESENTATION

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

NOTE B – DE MINIMUS INDIRECT COST RATE

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

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

 Yes x No

Federal awards

Internal control over major programs:

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

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

Unmodified

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

 Yes x No

Identification of major programs:
 Federal Program or Cluster

CFDA Numbers

 Coronavirus Aid, Relief and Economic Security Act

 21.019

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

\$750,000

Auditee qualified as low risk auditee?

 Yes x No

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

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

No matters were reported.

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

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

NO PRIOR YEAR AUDIT FINDINGS

APPENDIX C

**CITY OF EDGEWOOD, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021**

STATEMENT OF INDEBTEDNESS

- (e) Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year..... \$-0-
- (f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases..... \$-0-
- (g) Bonds issued in the case of an emergency, when the public health or safety should so require \$-0-
- (h) Bonds issued to fund a floating indebtedness \$-0-
- TOTAL EXEMPT OBLIGATIONS..... \$-0-
- 5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is \$*
- 6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 5% of the assessed valuation of all the taxable property in the Issuer.
- 7. The current tax rate of the Issuer, for other than school purposes, upon the value of its taxable property is \$.233 per \$100 for real property and \$0.233 per \$100 for personal property, which do not exceed the maximum permissible tax rate for the Issuer as set forth in Section 157 of the Kentucky Constitution.
- 8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the Issuer as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of October, 2021.

By: _____
Mayor

* 10% for cities having a population of fifteen thousand or more;
 5% for cities having a population of less than fifteen thousand but not less than three thousand; and
 3% for cities having a population of less than three thousand.

APPENDIX D

**CITY OF EDGEWOOD, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021**

ESTIMATED DEBT SERVICE REQUIREMENTS ON THE BONDS

Estimated Annual Debt Service - Series 2021			
Fiscal Year			
<u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$95,000	\$15,098	\$110,098
2023	\$265,000	\$22,699	\$287,699
2024	\$265,000	\$21,639	\$286,639
2025	\$265,000	\$20,314	\$285,314
2026	\$265,000	\$18,658	\$283,658
2027	\$270,000	\$16,650	\$286,650
2028	\$275,000	\$14,333	\$289,333
2029	\$275,000	\$11,720	\$286,720
2030	\$280,000	\$8,735	\$288,735
2031	\$285,000	\$5,486	\$290,486
2032	\$285,000	\$1,924	\$286,924
Totals	\$2,825,000	\$157,255	\$2,982,255

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APPENDIX E

**CITY OF EDGEWOOD, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021**

FORM OF LEGAL APPROVING OPINION OF BOND COUNSEL

The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

Ladies and Gentlemen:

We have examined the transcript submitted relating to the issue of \$2,825,000 General Obligation Refunding Bonds, Series 2021 (the “Bonds”) of the City of Edgewood, Kentucky (the “Issuer”), dated October 13, 2021, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate.

2. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Issuer has designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by officials of the Issuer and others contained in the transcript; which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

22615497.3