

**CITY OF
DRY RIDGE, KENTUCKY
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009**

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In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

J. Dennis Fossett CPA

October 29, 2009

City of Dry Ridge

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Mayor
Clay Crupper

City Clerk / Treasurer
Cindy L. Harris

Management's Discussion and Analysis

As management of the City of Dry Ridge, we offer readers of the City of Dry Ridge's financial statements this narrative overview and analysis of the financial activities of the City of Dry Ridge for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the City of Dry Ridge exceeded its liabilities at the close of the most recent fiscal year by \$3,841,931 (net assets). Of this amount, \$870,910 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$419,955. Governmental activities decreased by \$279,617, while business-type activities also decreased by \$140,338.
- As of the close of the current fiscal year, the City of Dry Ridge's governmental funds reported combined ending fund balances of \$568,766, an increase of \$4,307 in comparison with the prior year. \$544,714 of this total amount is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$544,714, or 33 percent of total general fund expenditures.
- The City of Dry Ridge's total debt decreased by \$49,124 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Dry Ridge's basic financial statements. The City of Dry Ridge's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Dry Ridge that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Dry Ridge include general government, fire protection, streets, and recreation. The business-type activities of the City of Dry Ridge include the Water and Sewer System.

The government-wide financial statements can be found on pages 13-14.

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 of Dry Ridge, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Dry Ridge can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Dry Ridge maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the municipal aid fund, both of which are considered to be major funds.

The City of Dry Ridge adopts an annual appropriated budget for both its general and municipal aid funds. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-16.

Proprietary Funds

The City of Dry Ridge maintains one type of proprietary funds; Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dry Ridge uses enterprise funds to account for its Water and Sewer System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System which is considered to be major fund of the City of Dry Ridge.

The basic proprietary fund financial statements can be found on pages 20-22.

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 23-33.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Dry Ridge, assets exceeded liabilities by \$3,841,931 at the close of the most recent fiscal year.

By far the largest portion of the City of Dry Ridge's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, utility systems, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Dry Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Dry Ridge'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.

An additional portion of the City of Dry Ridge's net assets (0.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$870,910) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Dry Ridge's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current & Other Assets	\$ 634,141	\$ 696,685	\$ 448,219	\$ 527,720	\$ 1,082,360	\$ 1,224,405
Capital Assets	<u>1,316,377</u>	<u>1,630,374</u>	<u>2,094,035</u>	<u>2,175,022</u>	<u>3,410,412</u>	<u>3,805,396</u>
Total Assets	<u>1,950,518</u>	<u>2,327,059</u>	<u>2,542,254</u>	<u>2,702,742</u>	<u>4,492,772</u>	<u>5,029,801</u>
Long-term Liabilities	\$ 127,942	\$ 192,635	\$ 335,501	\$ 348,718	\$ 463,443	\$ 541,353
Other Liabilities	<u>55,640</u>	<u>87,870</u>	<u>131,758</u>	<u>138,693</u>	<u>187,398</u>	<u>226,563</u>
Total Liabilities	<u>183,582</u>	<u>280,505</u>	<u>467,259</u>	<u>487,411</u>	<u>650,841</u>	<u>767,916</u>
Net Assets:						
Invested in Capital,						
Net of Related Debt	\$ 1,188,435	\$ 1,470,508	\$ 1,758,535	\$ 1,822,322	\$ 2,946,970	\$ 3,292,830
Restricted	24,051	9,959	-	-	24,051	9,959
Unrestricted	<u>554,450</u>	<u>566,087</u>	<u>316,460</u>	<u>393,009</u>	<u>870,910</u>	<u>959,096</u>
Total Net Assets	<u>\$ 1,766,937</u>	<u>\$ 2,046,554</u>	<u>\$ 2,074,995</u>	<u>\$ 2,215,331</u>	<u>\$ 3,841,931</u>	<u>\$ 4,261,885</u>

At the end of the current fiscal year, the City of Dry Ridge is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets decreased by \$408,270 during the current fiscal year.

City of Dry Ridge's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	379,559	293,445	906,980	1,005,444	1,286,539	1,298,889
Operating Grants & Contributions	45,862	36,370	-	-	45,862	36,370
Capital Grants & Contributions	46,580	46,538	-	-	46,580	46,538
General Revenues:						
Property Taxes	488,883	445,925	-	-	488,883	445,925
Other Taxes	667,608	711,929	-	-	667,608	711,929
Licenses & Permits	26,567	27,251	-	-	26,567	27,251
Fines & Forfeitures	1,939	1,151	-	-	1,939	1,151
Interest	3,225	16,132	3,612	9,739	6,837	25,871
Miscellaneous	26,750	20,939	7,824	8,017	34,574	28,956
Total Revenues	1,686,973	1,599,680	918,416	1,023,200	2,605,389	2,622,880
Expenses:						
General Government	245,074	233,043	-	-	245,074	233,043
Police	215,238	176,283	-	-	215,238	176,283
Fire	963,499	909,029	-	-	963,499	909,029
Public Works	187,703	310,053	-	-	187,703	310,053
Recreation	3,232	15,450	-	-	3,232	15,450
Water & Sewer	-	-	1,058,754	1,045,146	1,058,754	1,045,146
depreciation	335,050	335,927	-	-	335,050	335,927
Interest Expense	5,109	2,783	-	-	5,109	2,783
Total Expenses	1,954,905	1,982,568	1,058,754	1,045,146	3,013,659	3,027,714
Increase (Decrease) in Net Assets	(267,932)	(382,888)	(140,338)	(21,946)	(408,270)	(404,834)
Beginning Net Assets	2,034,869	2,429,442	2,215,333	2,237,279	4,250,202	4,666,721
Ending Net Assets	1,766,937	2,046,554	2,074,995	2,215,333	3,841,932	4,261,887

Governmental Activities

Governmental activities decreased the City of Dry Ridge's net assets by \$279,617, which is actually an improvement over fiscal year 2008 which had a larger decrease of net assets at \$382,888. The key element of this decrease is the City's expenditures still exceed the City's revenues. Revenues in recent years have increased very little while expenditures and the demand to provide services have increased tremendously.

Business-type Activities

Business-type activities decreased the City of Dry Ridge's net assets by \$140,338. Key elements of this increase are as follows.

- Cost for services increased (including Depreciation) more than revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City of Dry Ridge uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Dry Ridge's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Dry Ridge's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2009 Amount	Percent of Total	FYE 2008 Amount	Increase (Decrease) From FYE 08	Percent Increase (Decrease)
Taxes	\$ 479,146	28.57%	\$ 445,925	\$ 33,221	7.45%
Licenses and Permits	694,175	41.39%	739,180	(45,005)	-6.09%
Intergovernmental	92,443	5.51%	82,908	9,535	11.50%
Charges for Services	379,559	22.63%	293,445	86,114	29.35%
Fines and Forfeitures	1,939	0.12%	1,151	788	68.46%
Interest	3,225	0.19%	16,132	(12,907)	-80.01%
Miscellaneous	26,750	1.59%	20,939	5,811	27.75%
Total Revenues	\$ 1,677,237	100.00%	\$ 1,599,680	\$ 77,557	

- Charges for services increased due to an increase in ambulance fees received.
- Interest Income decreased as a result of lower cash balances in the current year.
- Licenses and Permits decreased because payroll tax revenue decreased.

Expenditures	FYE 2009 Amount	Percent of Total	FYE 2008 Amount	Increase (Decrease) From FYE 08	Percent Increase (Decrease)
General Government	\$ 245,074	14.65%	\$ 233,374	\$ 11,700	5.01%
Police	215,238	12.87%	176,283	38,955	22.10%
Fire	963,500	57.59%	909,029	54,471	5.99%
Public Works	187,703	11.22%	310,053	(122,350)	-39.46%
Recreation	3,232	0.19%	15,450	(12,218)	-79.08%
Debt Service	37,031	2.21%	15,778	21,253	134.70%
Capital Outlay	21,152	1.26%	215,735	(194,583)	-90.20%
Total Expenditures	<u>\$ 1,672,930</u>	<u>100.00%</u>	<u>\$ 1,875,702</u>	<u>\$ (202,772)</u>	

- The Police Department's expenditures increased due to the fact that they operated the entire fiscal year in 2009 compared to only a partial year in 2008.
- The Fire Department had an increase in both EMS & Fire Runs as well as total patients, which increased their expenditures.
- Most liability and property insurance increased while the City implemented changes which decreased health care costs.
- Public Works kept expenses minimal and did not resurface any streets, which decreased their expenditures.
- There were no capital outlay expenditures except within the Fire Department, which decreased capital outlay expenditures tremendously.
- All departments were very conservative this fiscal year.

Proprietary Funds

The City of Dry Ridge's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer System at the end of the year amounted to \$316,460. The total reduction in net assets was \$140,338. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Dry Ridge's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City of Dry Ridge's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$3,410,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility system, improvements, equipment, park facilities, and roads. The total increase in the City of Dry Ridge's investment in capital assets for the current fiscal year was 2 percent.

City of Dry Ridge's Capital Assets

	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
Land	\$ 80,000	80,000	\$ 2,000	\$ 2,000
Buildings	567,815	567,815	74,561	74,561
Utility System	-	-	3,962,225	3,962,225
Infrastructure	238,778	238,778	-	-
Improvements	217,335	217,335	-	-
Vehicles	1,074,895	1,074,895	-	-
Equipment	858,482	876,603	221,817	189,401
Furniture & Fixtures	26,044	26,044	-	-
Totals	<u>\$ 3,063,349</u>	<u>3,081,470</u>	<u>\$ 4,260,603</u>	<u>\$ 4,228,187</u>
This year's major additions included:	Vehicles		\$	-
	Equipment			53,568
	Total		\$	<u>53,568</u>
This year's major deletions included:	Vehicles		\$	-
	Equipment			(39,273)
	Total		\$	<u>(39,273)</u>

Additional information on the City of Dry Ridge's capital assets can be found in note D on pages 28-29.

Long-term Debt

At the end of the current fiscal year, the City of Dry Ridge had total debt outstanding of \$463,442. The City's total debt decreased by \$49,124 (10 percent) during the current fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Bonds Payable	\$ -	\$ -	\$ 335,500	\$ 352,700	\$ 335,500	\$ 352,700
Notes Payable	127,942	159,866	-	-	127,942	159,866
Totals	\$ 127,942	\$ 159,866	\$ 335,500	\$ 352,700	\$ 463,442	\$ 512,566

Additional information on the City of Dry Ridge's long-term debt can be found in note E on pages 30-31.

Requests for Information

This financial report is designed to provide a general overview of the City of Dry Ridge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer at 31, Broadway, Dry Ridge, Kentucky.

Clay Crupper

Clay Crupper
Mayor

CITY OF DRY RIDGE, KENTUCKY

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 372,299	\$ 313,690	\$ 685,989
Receivables	178,191	94,543	272,734
Prepaid Insurance	76,719	46,673	123,392
Internal balances	6,931	(6,687)	245
Capital Assets:			
Land	80,000	2,000	82,000
Buildings	567,815	74,561	642,376
Utility System	-	3,962,225	3,962,225
Infrastructure	238,778	-	238,778
Improvements	217,335	-	217,335
Vehicles	1,074,895	-	1,074,895
Equipment	858,481	221,817	1,080,298
Furniture & Fixtures	26,044	-	26,044
Less Accumulated Depreciation	(1,746,971)	(2,166,568)	(3,913,539)
Total Assets	<u>1,950,518</u>	<u>2,542,254</u>	<u>4,492,772</u>
Liabilities			
Current Liabilities:			
Accounts Payable	27,351	76,840	104,191
Accrued Liabilities	28,289	8,718	37,008
Customer Deposits	-	46,200	46,200
Noncurrent Liabilities:			
Due Within One Year	26,653	17,400	44,053
Due in More Than One Year	101,289	318,100	419,389
Total Liabilities	<u>183,582</u>	<u>467,259</u>	<u>650,841</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	1,188,435	1,758,535	2,946,971
Restricted For:			
Municipal Aid	24,051	-	24,051
Unrestricted	554,450	316,460	870,910
Total Net Assets	<u>\$ 1,766,937</u>	<u>\$ 2,074,995</u>	<u>\$ 3,841,931</u>

CITY OF DRY RIDGE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
Functions/Programs:						
Primary: Government:						
Governmental Activities:						
General Government	\$ 261,640	\$ 19,896	\$ 1,565	\$ -	\$ (240,179)	\$ -
Police	220,461	-	-	-	(220,461)	-
Fire	1,213,957	359,663	44,297	10,169	(799,828)	-
Streets	228,272	-	-	36,411	(191,861)	-
Recreation	25,466	-	-	-	(25,466)	-
Debt Service Interest	5,109	-	-	-	(5,109)	-
Total Governmental Activities	1,954,905	379,559	45,862	46,580	(1,482,904)	-
Business-type Activities:						
Water & Sewer	1,058,754	906,980	-	-	(151,774)	(151,774)
Total Business-type Activities	1,058,754	906,980	-	-	(151,774)	(151,774)
Total Primary Government	\$ 3,013,659	\$ 1,286,538	\$ 45,862	\$ 46,580	\$ (1,482,904)	\$ (1,634,679)
General Revenues:						
Property Taxes				488,883	-	488,883
Payroll Tax				299,687	-	299,687
Insurance Tax				367,920	-	367,920
Other Licenses and Permits				26,567	-	26,567
Fines & Forfeitures				1,939	-	1,939
Interest				3,225	3,612	6,837
Miscellaneous				26,750	7,824	34,574
Total General Revenues and Transfers				1,214,972	11,436	1,226,409
Change in Net Assets				(267,932)	(140,338)	(408,270)
Net Assets - Beginning				2,034,869	2,215,333	4,250,202
Net Assets - Ending				\$ 1,766,937	\$ 2,074,995	\$ 3,841,932

CITY OF DRY RIDGE, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Municipal Aid Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 348,248	\$ 24,051	\$ 372,299
Taxes Receivable	178,191	-	178,191
Prepaid Insurance	76,719	-	76,719
Due From Other Funds	6,931	-	6,931
Total Assets	<u>\$ 610,090</u>	<u>\$ 24,051</u>	<u>\$ 634,141</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 27,351	\$ -	\$ 27,351
Accrued Liabilities	28,289	-	28,289
Deferred Revenue	9,736	-	9,736
Total Liabilities	<u>65,376</u>	<u>-</u>	<u>65,376</u>
Fund Balances:			
Unreserved, Reported In:			
General Fund	544,714	-	544,714
Reserved, Reported In:			
Municipal Aid Fund	-	24,051	24,051
Total Fund Balances	<u>544,714</u>	<u>24,051</u>	<u>568,766</u>
Total Liabilities and Fund Balances	<u>\$ 610,090</u>	<u>\$ 24,051</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,316,377

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. 9,736

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (127,942)

Net assets of governmental activities. \$ 1,766,937

<p align="center">CITY OF DRY RIDGE, KENTUCKY</p> <p align="center">STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES</p> <p align="center">GOVERNMENTAL FUNDS</p> <p align="center">For the Year Ended June 30, 2009</p>

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 479,146	\$ -	\$ 479,146
Licenses and Permits	694,175	-	694,175
Intergovernmental	56,032	36,411	92,443
Charges for Services	379,559	-	379,559
Fines and Forfeitures	1,939	-	1,939
Interest	3,002	223	3,225
Miscellaneous	26,750	-	26,750
Total Revenues	<u>1,640,603</u>	<u>36,633</u>	<u>1,677,237</u>
Expenditures			
Current:			
General Government	245,074	-	245,074
Police	215,238	-	215,238
Fire	963,500	-	963,500
Public Works	165,162	22,541	187,703
Recreation	3,232	-	3,232
Debt Service:			
Principal	31,924	-	31,924
Interest	5,109	-	5,109
Capital Outlay	21,152	-	21,152
Total Expenditures	<u>1,650,389</u>	<u>22,541</u>	<u>1,672,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,786)	14,092	4,306
Other Financing Sources (Uses)			
Loan Proceeds	-	-	-
Transfers in	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(9,786)</u>	<u>14,092</u>	<u>4,306</u>
Fund Balances - Beginning	554,500	9,959	564,459
Fund Balances - Ending	\$ <u>544,714</u>	\$ <u>24,051</u>	\$ <u>568,766</u>

CITY OF DRY RIDGE, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2009
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Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental fund (page 12)	\$	4,306
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	21,152	
Depreciation	(335,050)	
		(313,898)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets:

Loan Proceeds	-	
Principal payments	31,924	
		31,924

Revenues in the statement of activities that do not provide current financial resources and therefore, are not reported as revenues in the funds, while some revenues reported in the funds have already been recognized in earlier periods for the statement of activities. This is the net effect of those changes:

Deferred revenues not yet recognized	9,736	
Delinquent revenues already recognized	-	
		9,736

Change in net assets of governmental activities	\$	(267,933)
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<p align="center">CITY OF DRY RIDGE, KENTUCKY GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended June 30, 2009</p>
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	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes:				
Property	\$ 452,997	\$ 452,997	\$ 479,146	\$ 26,149
Licenses and Permits	744,400	744,400	694,175	(50,225)
Intergovernmental	46,904	46,904	56,032	9,128
Charges for Services	276,496	276,496	379,559	103,063
Fines and Forfeitures	1,100	1,100	1,939	839
Interest	14,500	14,500	3,002	(11,498)
Miscellaneous	13,300	13,300	26,750	13,450
Total Revenues	<u>1,549,697</u>	<u>1,549,697</u>	<u>1,640,603</u>	<u>90,906</u>
Expenditures				
Current:				
General Government	262,800	262,800	245,074	17,727
Police	253,850	253,850	215,238	38,612
Fire	978,000	978,000	963,500	14,500
Public Works	259,500	259,500	165,162	94,338
Recreation	26,200	26,200	3,232	22,968
Debt Service:				
Principal	32,000	32,000	31,924	76
Interest	5,000	5,000	5,109	(109)
Capital Outlay	74,400	74,400	21,152	53,248
Total Expenditures	<u>1,891,750</u>	<u>1,891,750</u>	<u>1,650,389</u>	<u>241,361</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(342,053)	(342,053)	(9,786)	332,267
Other Financing Sources (Uses)				
Loan Proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(342,053)	(342,053)	(9,786)	332,267
Fund Balances - Beginning	<u>670,404</u>	<u>670,404</u>	<u>554,500</u>	<u>(115,904)</u>
Fund Balances - Ending	<u>\$ 328,351</u>	<u>\$ 328,351</u>	<u>\$ 544,714</u>	<u>\$ 216,363</u>

CITY OF DRY RIDGE, KENTUCKY
MUNICIPAL ROAD AID FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental	\$ 36,094	\$ 36,094	\$ 36,411	\$ 317
Interest	700	700	223	(477)
Total Revenues	<u>36,794</u>	<u>36,794</u>	<u>36,633</u>	<u>(161)</u>
Expenditures				
Public Works	60,000	60,000	22,541	37,459
Capital Outlay	-	-	-	-
Total Expenditures	<u>60,000</u>	<u>60,000</u>	<u>22,541</u>	<u>37,459</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(23,206)	(23,206)	14,092	37,298
Net Change in Fund Balances	(23,206)	(23,206)	14,092	37,298
Fund Balances - Beginning	<u>32,997</u>	<u>32,997</u>	<u>9,959</u>	<u>(23,038)</u>
Fund Balances - Ending	<u>\$ 9,791</u>	<u>\$ 9,791</u>	<u>\$ 24,051</u>	<u>\$ 14,260</u>

<p align="center">CITY OF DRY RIDGE, KENTUCKY STATEMENT OF NET ASSETS PROPRIETARY FUND June 30, 2009</p>

Assets

Current Assets:

Cash and Cash Equivalents	\$ 313,690
Accounts Receivable	94,543
Prepaid Insurance	46,673
Total Current Assets	<u>454,905</u>

Noncurrent Assets:

Capital Assets:	
Land	2,000
Buildings	74,561
Utility System	3,962,225
Equipment	221,817
Less Accumulated Depreciation	(2,166,568)
Total Capital Assets (Net of Accumulated Depreciation)	<u>2,094,035</u>
Total Noncurrent Assets	<u>2,094,035</u>

Total Assets	<u><u>2,548,940</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	76,840
Accrued Liabilities	8,718
Due to Other Funds	6,687
Customer Deposits	46,200
Bonds Payable - Current	17,400
Total Current Liabilities	<u>155,846</u>

Noncurrent Liabilities:

Bonds Payable	318,100
Total Noncurrent Liabilities	<u>318,100</u>

Total Liabilities	<u>473,946</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	1,758,535
Unrestricted	316,460
Total Net Assets	<u><u>\$ 2,074,995</u></u>

<p style="text-align: center;">CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND For the Year Ended June 30, 2009</p>

Operating Revenues:	
Sewer Service	\$ 507,952
Water Service	349,850
Water Station	4,846
Waste Collection	37,793
Water Penalties	6,540
Miscellaneous	7,824
Total Operating Revenues	<u>914,804</u>
Operating Expenses:	
Cost of Sales and Services	929,568
Depreciation	113,403
Total Operating Expenses	<u>1,042,972</u>
Operating Income (Loss)	(128,168)
Nonoperating Revenues (Expenses):	
Interest Income	3,612
Interest Expense	(15,782)
Total Nonoperating Revenues (Expenses)	<u>(12,170)</u>
Income (Loss) Before Contributions	(140,338)
Capital Contributions	-
Change in Net Assets	<u>(140,338)</u>
Total Net Assets - Beginning	2,215,333
Total Net Assets - Ending	<u>\$ 2,074,995</u>

<p style="text-align: center;">CITY OF DRY RIDGE, KENTUCKY STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended June 30, 2009</p>

Cash Flows from Operating Activities

Receipts from Customers and Users	\$ 980,266
Payments to Suppliers	(756,146)
Payments to Employees	(238,469)
Net Cash Provided (Used) by Operating Activities	<u>(14,349)</u>

**Cash Flows from Capital
and Related Financing Activities**

Capital Contributions	-
Purchases of Capital Assets	(32,416)
Principal Paid on Capital Debt	(17,200)
Interest Paid on Capital Debt	(15,782)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(65,399)</u>

Cash Flows from Investing Activities

Interest Income	3,612
Net Cash Provided (Used) by Investing Activities	<u>3,612</u>

Net Increase in Cash	<u>(76,135)</u>
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Cash - Beginning of Period	389,825
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Cash - End of Period	<u>\$ 313,690</u>
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**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ (128,168)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	113,403
(Increase) Decrease in Accounts Receivable	62,263
(Increase) Decrease in Prepaid Insurance	374
Increase (Decrease) in Accounts Payable	(2,704)
Increase (Decrease) in Accrued Liabilities	(3,449)
Increase (Decrease) in Customer Deposits	3,200
Increase (Decrease) in Due to Other Funds	(59,269)
Total Adjustments	<u>113,819</u>
Net Cash Provided by Operating Activities	<u>\$ (14,349)</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dry Ridge, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Dry Ridge is a municipal corporation governed by an elected Mayor and six-member City Council. As required by generally accepted accounting principles, these financial statements present all activities for which the City is considered to be financially accountable.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the City are reported as a reduction of the related liability, rather than as an expenditure.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports on the following funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The City reports on the following proprietary fund:

The proprietary fund accounts for the activities of the City's water and sewer sales and services function.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents including demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Banker's acceptances.
4. Commercial paper.
5. Bonds of other states or local governments.
6. Mutual funds

Property Tax Receivable

Property taxes are levied as of November 1 on values assessed on January 1. The billings are considered past due 60 days after the respective tax billing date at which time the applicable property is subject to lien, and penalties and interest are assessed.

Short-Term Inter-fund Receivables/Payables

During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables".

Fixed Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by the proprietary fund are reported in the business type activities column of the government-wide statement of net assets.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as street, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

<p style="text-align: center;">CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2009</p>

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The ranges of lives used for depreciation purposes for each fixed asset class are as follows:

Buildings	40 years
Public Domain Infrastructure	10 - 40 years
Improvements	10 years
Vehicles	7 years
Machinery & Equipment	5 years
Furniture & Fixtures	5 years

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vacation pay and sick pay (for qualifying employees) is accrued when incurred and reported as a fund liability.

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Fund Equity

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses net related to capital and related financing, non-capital financing or investing activities.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B – 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 prior to June 1, the Mayor submits to the City Council, a proposed operating budget 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 taxpayer comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statute to present a quarterly report to the City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE C – DEPOSITS

The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. The City's deposits are entirely insured or collateralized with securities held by an agent of the City in the City's name.

As of June 30, 2009 the City had cash and cash equivalents of \$685,989.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Retirements/ Reclassifications	Balance June 30, 2009
Governmental Activities:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Buildings	567,814	-	-	567,814
Infrastructure	238,778	-	-	238,778
Construction in Progress	-	-	-	-
Improvements	217,335	-	-	217,335
Vehicles	1,074,895	-	-	1,074,895
Equipment	876,603	21,152	(39,273)	858,482
Furniture & Fixtures	26,044	-	-	26,044
Subtotal	<u>3,081,469</u>	<u>21,152</u>	<u>(39,273)</u>	<u>3,063,348</u>
Accumulated Depreciation:				
Buildings	(313,662)	(25,054)	-	(338,716)
Infrastructure	(34,377)	(21,733)	-	(56,110)
Improvements	(18,814)	(9,918)	-	(28,732)
Vehicles	(564,054)	(129,823)	-	(693,877)
Equipment	(504,035)	(145,286)	39,175	(610,146)
Furniture & Fixtures	(16,155)	(3,234)	-	(19,389)
Subtotal	<u>(1,451,097)</u>	<u>(335,049)</u>	<u>39,175</u>	<u>(1,746,971)</u>
Net Capital Assets	<u>\$ 1,630,372</u>	<u>\$ (313,897)</u>	<u>\$ (98)</u>	<u>\$ 1,316,377</u>

<p align="center">CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2009</p>
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Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 16,566
Police	5,223
Fire	250,458
Streets	40,569
Parks	22,234
Total Government activities depreciation expense	\$ <u>335,050</u>

The following is a summary of changes in fixed assets in the proprietary fund:

	Balance June 30, 2008	Additions	Retirements/ Deletions	Balance June 30, 2009
Business-type Activities:				
Not Being Depreciated				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in Progress	-	-	-	-
Subtotal	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Other Capital Assets:				
Buildings	74,561	-	-	74,561
Utility System	3,962,225	-	-	3,962,225
Equipment	189,401	32,416	-	221,817
Subtotal	<u>4,226,187</u>	<u>32,416</u>	<u>-</u>	<u>4,258,603</u>
Accumulated Depreciation				
Buildings	(3,243)	(1,864)	-	(5,107)
Utility System	(1,916,903)	(88,049)	-	(2,004,952)
Equipment	(133,018)	(23,490)	-	(156,508)
Subtotal	<u>(2,053,164)</u>	<u>(113,403)</u>	<u>-</u>	<u>(2,166,567)</u>
Net Capital Assets	\$ <u>2,175,023</u>	\$ <u>(80,987)</u>	\$ <u>-</u>	\$ <u>2,094,036</u>

<p align="center">CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2009</p>
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NOTE E – LONG-TERM LIABILITIES

Bonds Payable – Enterprise Funds

The City has the following bonds payable in connection with water and sewer line improvements. Revenues from the water and sewer system are pledged for the payment of the principal and interest on the notes.

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 06/30/2009</u>
07/01/1993	5.200%	07/01/2016	\$ 135,000
09/25/2003	3.500%	01/01/2043	200,500
			<u>\$ 335,500</u>

The following is a schedule of future debt service requirements to maturity at June 30, 2009:

<u>Year ended June 30,</u>	<u>KIA BOND</u>		<u>RURAL DEVELOPMENT</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	15,000	6,132	2,500	8,964
2011	15,000	5,577	2,500	8,854
2012	15,000	4,985	2,700	8,737
2013	15,000	2,973	3,080	8,343
2014-2017	75,000	8,919	12,320	33,372
2018-2022	-	-	19,500	37,811
2023-2027	-	-	24,700	32,852
2028-2032	-	-	31,500	26,561
2033-2037	-	-	39,700	18,583
2038-2042	-	-	50,600	8,474
2043	-	-	11,400	257
Total	<u>135,000</u>	<u>28,586</u>	<u>200,500</u>	<u>192,808</u>

<p align="center">CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2009</p>
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During the year ended June 30, 2009, the following changes occurred in Utility long-term debt:

	June 30, 2008	Additions	Reductions	June 30, 2009
Bonds Payable	\$ 352,700	\$ -	\$ (17,200)	\$ 335,500
Totals	<u>\$ 352,700</u>	<u>\$ -</u>	<u>\$ (17,200)</u>	<u>\$ 335,500</u>

General Fund

The City has entered into a note agreement with the Commission on Fire Protection for the purchase of bunker equipment. The loan is to be repaid with a yearly deduction from the City's state-aid allotment. During the year the city obtained a loan from the Kentucky League of Cities to purchase an Ambulance the loan rate is variable from 2.1% to 3.0%. The following is a schedule of the remaining payments:

Year ended June 30,	Commission on Fire		Year ended June 30,	KLC Ambulance Loan	
	Principal	Interest		Principal	Interest
2010	5,035	784	2010	26,618	3,630
2011	5,186	633	2011	27,842	2,882
2012	5,341	477	2012	29,118	2,101
2013	5,283	235	2013	18,237	1,049
2014	5,283	235			
Total	<u>26,127</u>	<u>2,364</u>	Total	<u>101,815</u>	<u>9,663</u>

During the year ended June 30, 2009, the following changes occurred in general long-term debt:

	June 30, 2008	Additions	Reductions	June 30, 2009
Notes Payable	\$ 159,866	\$ -	\$ (31,924)	\$ 127,942
Totals	<u>\$ 159,866</u>	<u>\$ -</u>	<u>\$ (31,924)</u>	<u>\$ 127,942</u>

NOTE F – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, 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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE G – EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that cover substantial all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2009, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2009, participating employers contributed 13.5% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2009 was 13.5% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2009, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2009, participating employers contributed 29.5% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2009 was 29.5% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

<p align="center">CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2009</p>
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The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

Year	Contribution	Contributed
2009 \$	174,664	100%
2007 \$	172,695	100%
2006 \$	126,659	100%

NOTE H – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE I – 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 through the efforts and cooperation of its risk manager and department heads. 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.

The City Attorney estimates that the amount of actual potential claims against the City as of June 30, 2009, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J – INTER-FUND TRANSACTIONS

A summary of the inter-fund account balances is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Utility Fund	\$ <u>6,687</u>