

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
City Officials.....	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position.....	10
Statement of Activities.....	11
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position - Proprietary Fund.....	15
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Notes to Financial Statements	18-41
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	42
Budgetary Comparison Schedule - Municipal Road Aid Fund.....	43
Multiple employer, Cost Sharing, Defined Benefit Pension Plan - Non-Hazardous.....	44
Multiple employer, Cost Sharing, Defined Benefit Pension Plan - Hazardous.....	45
Multiple employer, Cost Sharing, Defined Benefit OPEB Plan - Non-Hazardous.....	46
Multiple employer, Cost Sharing, Defined Benefit OPEB Plan - Hazardous.....	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	48-49

CITY OF DRY RIDGE, KENTUCKY

CITY OFFICIALS

June 30, 2019

Mayor

Greg Brockman

Council Members

Ashley Brinker

Eric Brockman

Clay Crupper

James Hendy

Carisa Hughett

Ronald Maddox

Legal Counsel

Jack S. Gatlin



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

**To the Honorable Mayor and
Members of the Council
City of Dry Ridge, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Dry Ridge, Kentucky, as of and for the year ended June 30, 2019, 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 an opinion 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 from 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 opinion.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Dry Ridge, Kentucky as of June 30, 2019 and the respective changes in financial position 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* on pages 4-9, the budgetary comparison schedules on pages 42-43 and the pension and OPEB disclosures on pages 44-47 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the City of Dry Ridge, 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 Dry Ridge, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 20, 2019

Management's Discussion and Analysis

Our discussion and analysis of the City of Dry Ridge's financial performance for the fiscal year ended June 30, 2019, is intended to compliment the formal financial statements that begin on page 10. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Notes to the Financial Statements, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2 and 3.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 10 thru 17.
4. Notes and supplementary information.
5. Compliance and other matters.

The City's financial statements are presented in two formats, each with a different perspective of the City's finances. Government-wide statements present the finances of the City as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the City's structure and provide greater detail. Both approaches are useful in understanding the City's financial structure.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the City and the changes in them from prior periods. One can think of the City's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the city, its equity, can be compared to prior years to determine if the City's equity is growing or shrinking. This is an important measurement of how the City is doing financially. Of course the financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset conditions, new or changed government legislation, and the types and levels of services to be provided.

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, public safety, fire and EMS, highways and streets, and recreation. The business-type activities of the City of Dry Ridge include the Water and Sewer Service. The government-wide financial statements can be found on pages 10-11 of this report.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation familiar. The focus of these financial statements is on the City's various funds. The fund financial statements provide more information about the City's funds but not the City as a whole. The funds of the City of Dry Ridge can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds

The City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided funds statement that explains the relationship (or differences) between them. The City of Dry Ridge has two "governmental funds". The largest is the General Fund, which uses general revenues to provide city services and cover operating expenses. The Municipal Road Aid Fund houses grant receipts to be used only for specific purposes in accordance with Kentucky Revised Statutes. 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 each fund. These basic governmental fund financial statements can be found on pages 12-14 of this report.

The City of Dry Ridge adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with this budget.

Proprietary funds

The City of Dry Ridge maintains one proprietary fund: the Water & Sewer Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2019, net position changed as follows:

	2019	2018
Beginning net position	\$ 2,407,584	\$ 2,814,726
Prior period adjustments	-	(708,933)
Change in net position	(241,324)	301,791
Ending net position	<u>\$ 2,166,260</u>	<u>\$ 2,407,584</u>

Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 3,058,284	\$ 2,941,297	\$ 947,926	\$ 825,928	\$ 4,006,210	\$ 3,767,225
Capital assets	1,828,092	1,949,721	1,446,483	1,506,016	3,274,575	3,455,737
Deferred outflows	1,205,419	1,541,571	175,544	208,914	1,380,963	1,750,485
Total Assets	<u>6,091,795</u>	<u>6,432,589</u>	<u>2,569,953</u>	<u>2,540,858</u>	<u>8,661,748</u>	<u>8,973,447</u>
Current liabilities	269,963	370,961	301,381	303,040	571,344	674,001
Long-term liabilities	4,302,951	4,577,843	1,147,850	1,019,062	5,450,801	5,596,905
Deferred inflows	383,772	259,753	89,571	35,202	473,343	294,955
Total Liabilities	<u>4,956,686</u>	<u>5,208,557</u>	<u>1,538,802</u>	<u>1,357,304</u>	<u>6,495,488</u>	<u>6,565,861</u>
Net Position:						
Net investment in						
capital assets	1,225,754	1,289,711	990,478	1,016,454	2,216,232	2,306,165
Restricted	56,788	37,436	-	-	56,788	37,436
Unrestricted	(147,433)	(103,115)	40,673	167,100	(106,760)	63,985
Total Net Position	<u>\$ 1,135,109</u>	<u>\$ 1,224,032</u>	<u>\$ 1,031,151</u>	<u>\$ 1,183,554</u>	<u>\$ 2,166,260</u>	<u>\$ 2,407,586</u>

At the end of the current fiscal year, the City of Dry Ridge is able to report positive net position balances both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 268,441	\$ 402,930	\$ 1,958,585	\$ 2,141,925	\$ 2,227,026	\$ 2,544,855
Operating grants	223,645	138,396	-	-	223,645	138,396
Capital grants	65,086	-	-	-	65,086	-
General Revenues:						
Property taxes	518,021	500,648	-	-	518,021	500,648
Other taxes	106,395	88,153	-	-	106,395	88,153
Licenses & permits	1,600,025	1,706,275	-	-	1,600,025	1,706,275
Interest	9,217	8,582	2,175	1,545	11,392	10,127
Contributed assets	-	335,851	-	-	-	335,851
Miscellaneous	39,642	31,698	7,499	13,421	47,141	45,119
Total Revenues	<u>2,830,472</u>	<u>3,212,533</u>	<u>1,968,259</u>	<u>2,156,891</u>	<u>4,798,731</u>	<u>5,369,424</u>
Expenses:						
General government	328,725	382,461	-	-	328,725	382,461
IT	104,283	133,516	-	-	104,283	133,516
Police	440,560	483,737	-	-	440,560	483,737
Fire	1,713,889	1,662,313	-	-	1,713,889	1,662,313
Public works	230,161	306,561	-	-	230,161	306,561
Code enforcement	25,553	41,604	-	-	25,553	41,604
Recreation	66,333	220,516	-	-	66,333	220,516
Water & Sewer	-	-	2,120,662	1,806,838	2,120,662	1,806,838
Interest expense	9,889	10,765	-	19,322	9,889	30,087
Total Expenses	<u>2,919,393</u>	<u>3,241,473</u>	<u>2,120,662</u>	<u>1,826,160</u>	<u>5,040,055</u>	<u>5,067,633</u>
Increase in						
Net Position	(88,921)	(28,940)	(152,403)	330,731	(241,324)	301,791
Prior period adjustment	-	(665,787)	-	(43,146)	-	(708,933)
Beginning Net Position	<u>1,224,030</u>	<u>1,918,757</u>	<u>1,183,554</u>	<u>895,969</u>	<u>2,407,584</u>	<u>2,814,726</u>
Ending Net Position	<u>\$ 1,135,109</u>	<u>\$ 1,224,030</u>	<u>\$ 1,031,151</u>	<u>\$ 1,183,554</u>	<u>\$ 2,166,260</u>	<u>\$ 2,407,584</u>

Payroll taxes and insurance premium taxes are the primary source of income to the City and decreased \$43,347 or 3%. Property tax decreased \$17,373; -3%.

The majority of the City's expenses are dedicated to Public Safety (74%), Public Works and Recreation (11%), and Administration (12%). Overall net expenses decreased by \$27,578 (1%) for the fiscal year. This decrease is attributable to a decrease in interest expense.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2019 General Fund revenues were \$792,898 above budgeted revenues. Expenditures were \$149,635 under budgeted expenditures; and all budget line items except general government were less than budgeted. Municipal Road Aid fund revenues also reflected a positive budget variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 80,000	\$ 80,000	\$ 2,000	\$ 2,000
Work in progress	436,530	332,265		
Buildings	567,815	567,815	74,561	74,561
Utility system	-	-	4,402,454	4,402,454
Infrastructure	319,376	319,376	-	-
Improvements	440,746	440,746	-	-
Vehicles	1,492,129	1,510,946	-	-
Equipment	2,076,315	2,040,570	523,158	386,393
Furniture & fixtures	162,325	162,325	-	-
Totals	<u>\$ 5,575,236</u>	<u>\$ 5,454,043</u>	<u>\$ 5,002,173</u>	<u>\$ 4,865,408</u>

This year's net increase of \$120,193 in Governmental capital assets and \$136,765 in Business-type capital assets include:

	Governmental Activities	Business-type Activities
Park improvements	\$ -	\$ -
Fire engines and equipment	-	-
Police vehicles and equipment	(18,817)	-
Work in progress - Ghana project	103,265	-
Infrastructure	-	-
General equipment	35,745	136,765
	<u>\$ 120,193</u>	<u>\$ 136,765</u>

Additional information on the City's capital assets can be found in Note E on pages 24-25.

Long-term Debt

At June 30, 2019, the City had \$1,058,343 in outstanding debt. The following is a summary of the City's debt transactions during the year ended June 30, 2019:

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 602,338	\$ 660,011	\$ 285,805	\$ 315,662	\$ 888,143	\$ 975,673
Bonds payable	-	-	170,200	173,900	170,200	173,900
Totals	<u>\$ 602,338</u>	<u>\$ 660,011</u>	<u>\$ 456,005</u>	<u>\$ 489,562</u>	<u>\$ 1,058,343</u>	<u>\$ 1,149,573</u>

Additional information on the City of Dry Ridge's long-term debt can be found in Note G on pages 26-28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2020 budget should be adequate to continue the City's delivery of high quality public service in a manner consistent with previous years. Care will be taken that all expenditures are prudent and that the City can maintain its strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Clerk/Treasurer at 31 Broadway, Dry Ridge, Kentucky.

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF NET POSITION June 30, 2019
--

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 2,225,587	\$ 574,553	\$ 2,800,140
Receivables:			
Property taxes	420,697	-	420,697
Accounts	11,065	373,373	384,438
Prepays	-	-	-
Note receivable	400,935	-	400,935
Capital assets:			
Capital assets not being depreciated	80,000	2,000	82,000
Other capital assets, net	1,748,092	1,444,483	3,192,575
Total Assets	4,886,376	2,394,409	7,280,785
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources, pensions and OPEB	1,205,419	175,544	1,380,963
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	6,091,795	2,569,953	8,661,748
Liabilities			
Current liabilities:			
Accounts payable	29,369	151,044	180,413
Accrued liabilities	97,053	16,344	113,397
Customer deposits	-	99,434	99,434
Due within one year	143,541	34,559	178,100
Noncurrent liabilities:			
Compensated absences	69,075	35,779	104,854
Due in more than one year	458,797	421,446	880,243
Net pension and OPEB liability	3,775,079	690,625	4,465,704
Total Liabilities	4,572,914	1,449,231	6,022,145
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources, pensions and OPEB	383,772	89,571	473,343
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	4,956,686	1,538,802	6,495,488
Net Position			
Net investment in capital assets	1,225,754	990,478	2,216,232
Restricted for Municipal Road Aid	56,788	-	56,788
Unrestricted	(147,433)	40,673	(106,760)
Total Net Position	\$ 1,135,109	\$ 1,031,151	\$ 2,166,260

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

CITY OF DRY RIDGE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs:	Program Revenues				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government:							
Governmental activities:							
General government	\$ 328,725	\$ 1,581	\$ -	\$ -	\$ (327,144)	\$ -	\$ (327,144)
Information systems	104,283	-	-	-	(104,283)	-	(104,283)
Police	440,560	-	62,400	-	(378,160)	-	(378,160)
Fire	1,713,889	266,860	106,072	-	(1,340,957)	-	(1,340,957)
Public works	230,161	-	55,173	65,085	(109,903)	-	(109,903)
Code enforcement	25,553	-	-	-	(25,553)	-	(25,553)
Recreation	66,333	-	-	-	(66,333)	-	(66,333)
Interest on long-term debt	9,889	-	-	-	(9,889)	-	(9,889)
Total governmental activities	2,919,393	268,441	223,645	65,085	(2,362,222)	-	(2,362,222)
Business-type activities:							
Water & sewer	2,120,662	1,958,585	-	-	-	(162,077)	(162,077)
Total Business-type activities:	2,120,662	1,958,585	-	-	-	(162,077)	(162,077)
Total primary government	\$ 5,040,055	\$ 2,227,026	\$ 223,645	\$ 65,085	(2,362,222)	(162,077)	(2,524,299)
General revenues:							
Taxes:							
Property taxes					518,021	-	518,021
Other taxes					106,395	-	106,395
Licenses:							
Payroll					1,177,371	-	1,177,371
Insurance Premium					325,593	-	325,593
Other licenses, fees & permits					97,061	-	97,061
Miscellaneous					39,643	7,499	47,142
Interest					9,217	2,175	11,392
Total general revenues/transfers					2,273,301	9,674	2,282,975
Change in net position					(88,921)	(152,403)	(241,324)
Net position - beginning					1,224,030	1,183,554	2,407,584
Net position - ending					\$ 1,135,109	\$ 1,031,151	\$ 2,166,260

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

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,172,313	\$ 53,274	\$ 2,225,587
Taxes Receivable	420,697	-	420,697
Miscellaneous Receivable	7,551	3,514	11,065
Total Assets	<u>2,600,561</u>	<u>56,788</u>	<u>2,657,349</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	29,369	-	29,369
Accrued liabilities	97,053	-	97,053
Total liabilities	<u>126,422</u>	<u>-</u>	<u>126,422</u>
Fund balances:			
Unassigned	2,474,139	-	2,474,139
Restricted	-	56,788	56,788
Total fund balances	<u>2,474,139</u>	<u>56,788</u>	<u>2,530,927</u>
Total Liabilities and Fund Balances	<u>\$ 2,600,561</u>	<u>\$ 56,788</u>	<u>\$ 2,657,349</u>

Reconciliation of Fund Balances to the Statement of Net Position

Total Fund Balance for Governmental Funds \$ 2,530,927

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,828,092
Long-term notes receivable are not current resources in the funds.	400,935
Long-term liabilities, including compensated absences and net pension liability, are not payable from current resources are not reported in the funds.	
Compensated absences	(69,075)
Long-term debt	(602,338)
Net pension liability	(3,775,079)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore not reportable in the funds:	
Deferred outflow of resources	1,205,419
Deferred inflow of resources	(383,772)
Net Position of Governmental Activities	<u>\$ 1,135,109</u>

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

CITY OF DRY RIDGE, KENTUCKY**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS****For the Year Ended June 30, 2019**

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenues			
Taxes	\$ 624,416	\$ -	\$ 624,416
Licenses and permits	1,600,025	-	1,600,025
Intergovernmental	108,266	44,779	153,045
Charges for services	339,040	-	339,040
Interest	9,036	181	9,217
Miscellaneous	50,933	-	50,933
Total Revenues	2,731,716	44,960	2,776,676
Expenditures			
General government	309,868	-	309,868
Information systems	102,225	-	102,225
Police	353,544	-	353,544
Fire	1,358,273	-	1,358,273
Public works	190,795	25,608	216,403
Parks and recreation	35,419	-	35,419
Code enforcement	23,495	-	23,495
Capital outlay	139,009	-	139,009
Debt service - Principal	124,786	-	124,786
- Interest	9,889	-	9,889
Total Expenditures	2,647,303	25,608	2,672,911
Excess of Revenues over Expenditures	84,413	19,352	103,765
Other Financing Sources			
Proceeds from loans	67,114	-	67,114
Total Other Financing Sources	67,114	-	67,114
Net change in fund balances	151,527	19,352	170,879
Fund balances - beginning	2,322,612	37,436	2,360,048
Fund balances - ending	\$ 2,474,139	\$ 56,788	\$ 2,530,927

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

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, 2019

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

Net change in fund balances - total governmental funds \$ 170,879

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

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:

Capital asset purchases capitalized	139,009
Depreciation expense	(249,349)
Loss on disposal of assets	(11,289)

Ghana TIF District resources provide current financial resources in the funds, however, in the government-wide statements, these resources are an adjustment to a long-term TIF receivable.

Increase in TIF District receivable	67,114
TIF tax payments	(2,029)

The issuance of long-term debt provides current financial resources for the governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, proceeds from loans and subsequent repayment of the debt is reported as an adjustment to long-term liabilities.

Principal payments on loan	124,786
Proceeds from loans	(67,114)

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 benefits earned	(258,782)
--------------------------	-----------

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

(2,146)

Change in net position of governmental activities \$ (88,921)

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2019

Assets
Current assets:

Cash and cash equivalents	\$ 574,553
Accounts receivable	373,373
Prepaid expenses	-

Total current assets	<u>947,926</u>
-----------------------------	----------------

Noncurrent assets:

Capital assets:

Land	2,000
Building	74,561
Utility system	4,402,454
Equipment	523,158
Less accumulated depreciation	<u>(3,555,690)</u>

Total noncurrent assets	<u>1,446,483</u>
--------------------------------	------------------

Total Assets	<u>2,394,409</u>
---------------------	------------------

Deferred outflows	<u>175,544</u>
-------------------	----------------

Total Assets including Deferred Outflows	<u>2,569,953</u>
---	------------------

Liabilities
Current liabilities:

Accounts payable	151,044
Accrued liabilities	16,344
Customer deposits	99,434
Bonds payable - current	<u>34,559</u>

Total current liabilities	<u>301,381</u>
----------------------------------	----------------

Noncurrent liabilities:

Compensated absences	35,779
Bonds payable	421,446
Net pension liability	<u>690,625</u>

Total noncurrent liabilities	<u>1,147,850</u>
-------------------------------------	------------------

Total Liabilities	<u>1,449,231</u>
--------------------------	------------------

Deferred inflows	<u>89,571</u>
------------------	---------------

Total Liabilities including Deferred Inflows	<u>1,538,802</u>
---	------------------

Net Position

Invested in capital assets, net of related debt	990,478
Unrestricted	<u>40,673</u>

Total Net Position	<u><u>\$ 1,031,151</u></u>
---------------------------	----------------------------

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended June 30, 2019
--

Operating revenues:

Sewer service	\$ 1,107,442
Water service	758,262
Water station	1,540
Waste collection	70,801
Penalties	20,540
Miscellaneous	7,499

Total operating revenues	<u>1,966,084</u>
---------------------------------	------------------

Operating expenses:

Cost of sales and services	1,671,167
Depreciation	196,297

Total operating expenses	<u>1,867,464</u>
---------------------------------	------------------

Operating income	<u>98,620</u>
-------------------------	---------------

Nonoperating revenues (expenses):

Interest income	2,175
Interest expense	(13,725)
Net change in share of pension expense	(239,473)

Total nonoperating revenues (expenses)	<u>(251,023)</u>
---	------------------

Change in net position	(152,403)
-------------------------------	-----------

Total net position - beginning	1,183,554
---------------------------------------	-----------

Prior period adjustment	<u>-</u>
--------------------------------	----------

Total net position - ending	<u><u>\$ 1,031,151</u></u>
------------------------------------	----------------------------

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF CASH FLOWS - PROPRIETARY FUND For the Year Ended June 30, 2019
--

Cash Flows From Operating Activities

Receipts from customers and users	\$ 1,969,718
Payments to suppliers	(1,520,902)
Payments to employees	(146,620)

Net Change in Cash from Operating Activities	<u>302,196</u>
---	----------------

Cash Flows From Capital And Related Financing Activities

Principal paid on capital debt	(33,557)
Interest paid on capital debt	(13,725)

Net Change in Cash from Capital And Related Financing Activities	<u>(47,282)</u>
---	-----------------

Cash Flows From Investing Activities

Purchase of fixed assets	(136,765)
Interest income	2,176

Net Change in Cash from Investing Activities	<u>(134,589)</u>
---	------------------

Net Change in Cash	120,325
---------------------------	---------

Cash - beginning of period	<u>454,228</u>
-----------------------------------	----------------

Cash - end of period	<u><u>\$ 574,553</u></u>
-----------------------------	--------------------------

Reconciliation of Operating Income to Net Change in Cash from Operating Activities

Operating income (loss)	\$ 98,620
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	196,297
(Increase) decrease in accounts receivable	(1,673)
Increase (decrease) in accounts payable	(12,470)
Increase (decrease) in accrued liabilities	16,115
Increase (decrease) in customer deposits	5,307
Total adjustments	<u>203,576</u>

Net Change in Cash from Operating Activities	<u><u>\$ 302,196</u></u>
---	--------------------------

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 municipality governed by an elected Mayor and six-member City Council. As defined by GAAP, and established by GASB, the financial reporting entity consists of the primary government (The City of Dry Ridge, Kentucky as legally defined). Potential component units were considered for inclusion in the financial reporting entity. Component units are separate organizations for which the elected officials of the primary government would be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will is held by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

The City does not have any component units to be included in its financial report.

BASIS OF PRESENTATION***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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 City's utility fund operations are reported as business-type activities.

The statement of activities demonstrates the degree to which direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. 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 expenditures. 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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The City uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The City's major governmental funds are as follows:

General Fund – The General Fund is the government'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.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains a special revenue fund for Municipal Aid funds. The Municipal Aid Fund is used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for the Kentucky Municipal Road Aid Fund.

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The government reports the activities their water and sewer operations as a proprietary fund.

BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund 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.

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,

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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.

Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2019.

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. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds and business-type activities.

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents include 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 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. Property tax rates for the year ended June 30, 2019, were \$.262 per \$100 valuation for real property and \$.2290 per \$100 valuation for personal property. The assessed value of property on which the levy for 2018 was based was \$167,527,471 for real property and \$41,381,485 for personal property.

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". The General Fund had one receivable of \$933, payable from the Proprietary Fund at June 30, 2019.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Capital 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 position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position.

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. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Fixed Asset Account Group. Infrastructure such as streets, 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.

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 range of lives used for depreciation purposes for each fixed asset class is 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

The City reports compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate compensated absences as they become due and payable.

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 position.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues 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.

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.

Other Post-Employment Benefits – Health Insurance Plan

For purposes of measuring the net liability for other post-employment benefits – health insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the OPEB. For this purpose, benefit payments are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Non-spendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form – long-term receivables and prepaid items; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision making authority). Those committed amounts cannot be used for any other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has set a General Fund minimum fund balance target at 30% of expenditures and recurring transfers. No other fund balance policies exist.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed. The City has no outstanding encumbrances as of June 30, 2019.

Estimates and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.
- F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted three supplementary appropriation ordinances. All appropriations lapse at fiscal year-end. Annual budgets are adopted on a basis consistent with GAAP.

Deficit net position – No funds of the City ended the fiscal year in a deficit net position.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As allowed by law, the depository bank must pledge securities in addition to FDIC insurance at least equal to the amount on deposit at all times. The City's deposit policy maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The City's bank balances are entirely insured or collateralized with securities held by the financial institution in the City's behalf, as required by state legal requirements.

As of June 30, 2019, the City had cash and cash equivalents of \$2,800,140. All cash balances not covered by FDIC insurance are fully collateralized.

Interest rate risk – In accordance with the City's investment policy, interest rate risk is minimized 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 capital in the portfolio.

NOTE D – NOTE RECEIVABLE

The City has recorded a receivable from the Developer of the Ghana TIF Project equal to the outstanding principal and interest drawn on loan as described in Note K. As of June 30, 2019 the note receivable is \$400,935.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Retirements/ Deletions	Balance June 30, 2019
Governmental activities:				
Land	\$ 80,000	-	\$ -	\$ 80,000
Buildings	567,815	-	-	567,815
Improvements	440,746	-	-	440,746
Infrastructure	319,376	-	-	319,376
Vehicles	1,510,946	-	(18,817)	1,492,129
Equipment	2,040,571	35,744	-	2,076,315
Furniture & fixtures	162,325	-	-	162,325
Work in progress	333,265	103,265		436,530
Subtotal	<u>5,455,044</u>	<u>139,009</u>	<u>(18,817)</u>	<u>5,575,236</u>
Accumulated depreciation:				
Buildings	(475,181)	(4,084)	-	(479,265)
Improvements	(242,497)	(19,666)	-	(262,163)
Infrastructure	(119,083)	(6,668)	-	(125,751)
Vehicles	(1,242,148)	(78,620)	7,527	(1,313,241)
Equipment	(1,344,530)	(113,054)	-	(1,457,584)
Furniture & fixtures	(81,883)	(27,257)	-	(109,140)
Subtotal	<u>(3,505,322)</u>	<u>(249,349)</u>	<u>7,527</u>	<u>(3,747,144)</u>
Net capital assets	<u>\$ 1,949,722</u>	<u>\$ (110,340)</u>	<u>\$ (11,290)</u>	<u>\$ 1,828,092</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 4,852
Police	37,210
Fire	166,602
Public works	13,319
Recreation	27,366
Total governmental activities depreciation expense	<u>\$ 249,349</u>

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

	Balance June 30, 2018	Additions	Retirements/ Deletions	Balance June 30, 2019
Business-type activities:				
Not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Subtotal	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Other capital assets:	.			.
Buildings	74,561	-	-	74,561
Utility system	4,402,454	-	-	4,402,454
Equipment	386,393	136,765	-	523,158
Subtotal	<u>4,863,408</u>	<u>136,765</u>	<u>-</u>	<u>5,000,173</u>
Accumulated depreciation:				
Buildings	(21,883)	(1,864)	-	(23,747)
Utility system	(2,993,219)	(154,207)	-	(3,147,426)
Equipment	(344,291)	(40,226)	-	(384,517)
Subtotal	<u>(3,359,393)</u>	<u>(196,297)</u>	<u>-</u>	<u>(3,555,690)</u>
Net capital assets	<u>\$ 1,506,015</u>	<u>\$ (59,532)</u>	<u>\$ -</u>	<u>\$ 1,446,483</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, 2019

NOTE G – LONG-TERM DEBT

A summary of the changes in the long-term debt obligations is as follows:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Current Portion
Governmental activities -					
Heritage Bank Lease	\$ 129,122	\$ -	\$ (54,491)	\$ 74,631	\$ 55,987
Forcht Bank Ghana Loan	332,824	67,114	(25,000)	374,938	40,878
Forcht bank Lease	198,064	-	(45,295)	152,769	46,676
Total governmental activities	<u>\$ 660,010</u>	<u>\$ 67,114</u>	<u>\$ (124,786)</u>	<u>\$ 602,338</u>	<u>\$ 143,541</u>
Business-type activities -					
2003 USDA Rural Dev	\$ 173,900	\$ -	\$ (3,700)	\$ 170,200	\$ 3,900
Heritage Bank Lease	23,210	-	(9,616)	13,594	9,880
Heritage Bank Lease	292,452	-	(20,241)	272,211	20,779
Total business-type activities	<u>\$ 489,562</u>	<u>\$ -</u>	<u>\$ (33,557)</u>	<u>\$ 456,005</u>	<u>\$ 34,559</u>

Heritage Bank Lease - (Governmental Activities and Business Activities)

On October 2, 2015, the City entered into a \$315,000 lease agreement with Heritage Bank for the purpose of acquiring police cruisers, an ambulance (governmental activities) and a service truck (business-type activities). The lease is secured by the vehicles, carries a fixed interest rate of 2.68% and requires a monthly principal and interest payment of \$5,621 which is pro-rated between the governmental and business-type activities. Final payment will be October 2, 2020. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total Debt Service
	Principal	Interest	Principal	Interest	
2020	\$ 55,987	\$ 1,308	\$ 9,880	\$ 278	\$ 67,453
2021	18,644	107	3,714	19	22,484
Total	<u>\$ 74,631</u>	<u>\$ 1,415</u>	<u>\$ 13,594</u>	<u>\$ 297</u>	<u>\$ 89,937</u>

Forcht Bank – Ghana Loan – (Governmental Activities)

On June 12, 2017, the City signed a promissory note for \$430,000 to finance the capital infrastructure improvements for the Ghana TIF project described in Note K. The Note is secured by the real property included in the Ghana TIF project and requires monthly interest payments and an annual principal payment. The note carries an interest rate of 2.62% until October 2020 at which time the interest rate is converted to the Wall Street Journal Prime Rate Index less 1.4%. Final payment will be December 21, 2022. The developer for the Ghana project has in turn signed a promissory note to the City to pay the City an amount equal to the outstanding balance, principal and interest, due on the loan. At June 30, 2019 the outstanding balance on this promissory note is \$374,938 with interest payments made in the amount of \$3,027.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 40,000	\$ 8,335	\$ 48,335
2021	50,000	7,827	57,827
2022	50,000	6,270	56,270
2023	234,938	5,874	240,812
Total	<u>\$ 374,938</u>	<u>\$ 28,306</u>	<u>\$ 403,244</u>

Forcht Bank Lease – (Governmental Activities)

On December 27, 2017, the City entered into a lease agreement with Forcht Bank for the purchase of an ambulance capitalized at a cost of \$237,213. This lease is secured by the vehicle, carries an interest rate of 2.99% and requires monthly payments of \$4,286. Final payment will be December 27, 2022. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 46,676	\$ 4,514	\$ 51,190
2021	48,122	3,068	51,190
2022	49,602	1,588	51,190
2023	8,369	17,226	25,595
Total	<u>\$ 152,769</u>	<u>\$ 26,396</u>	<u>\$ 179,165</u>

Heritage Bank Lease – (Business-type Activities)

On October 2, 2015, the City entered into a \$343,800 lease agreement with Heritage Bank to fund a Project of purchasing water reading equipment and repairing water towers. The lease is secured by the Project, carries a fixed interest rate of 2.68% until October 2, 2020, then adjusts every 3 years to a rate equal to the then current year US Treasury Bill rate plus 3.00%, and requires a monthly principal and interest payment of \$2,328. Final payment will be October 2, 2030. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 20,779	\$ 7,158	\$ 27,937
2021	21,370	6,567	27,937
2022	21,958	5,979	27,937
2023	22,561	5,376	27,937
2024-2028	122,450	17,237	139,687
2029-2031	63,093	2,094	65,187
Total	<u>\$ 272,211</u>	<u>\$ 44,411</u>	<u>\$ 316,622</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

City of Dry Ridge Utilities System Revenue Bonds, Series 2003 – (Business-type Activities)

On September 25, 2003, the City sold \$209,000 of revenue bonds for the purpose of financing the cost of water and sewer line improvements. All bonds mature on January 1st of each year beginning in 2006 and ending in 2043. Interest is payable on January 1st and July 1st each year and principal is due in annual installments on January 1st through 2043. Revenues from the water and sewer system are pledged for collateral. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 3,900	\$ 6,090	\$ 9,990
2021	4,100	5,961	10,061
2022	4,300	5,824	10,124
2023	4,500	5,681	10,181
2024-2028	25,900	25,814	51,714
2029-2033	33,000	20,126	53,126
2034-2038	41,700	14,173	55,873
2039-2043	52,800	5,724	58,524
Totals	<u>\$ 170,200</u>	<u>\$ 89,393</u>	<u>\$ 259,593</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEM

The City's eligible employees are covered by the County Employees Retirement System (Plan)

General information about the County Employees Retirement System ("CERS")

Plan description - Employees are covered by CERS, 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.

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:

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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

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

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Hazardous Pension Plan Description

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

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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

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

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

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

Contributions

For non-hazardous duty employees, the City contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019. For hazardous duty employees, the City contributed 35.34%, of which 24.86% was for the pension fund and 10.47% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$45,249. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$180,586.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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

At June 30, 2019, the City reported a liability of \$3,451,219 (\$903,375 – non-hazardous and \$2,547,844 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's non-hazardous employer allocation proportion was 0.01483% of the total CERS non-hazardous duty employees and 0.10535% of the total CERS hazardous duty employees. For the year ended June 30, 2019, the City recognized pension expense of \$433,724 in addition to its \$225,835 pension contribution.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 29,466	\$ (13,224)	\$ 202,765	\$ -	\$ 232,231	\$ (13,224)
Net difference between projected actual earnings on plan investments	42,008	(52,840)	94,437	(123,175)	136,445	(176,015)
Changes of assumptions	88,286	-	271,209	-	359,495	-
Changes in proportion and differences between contributions and proportionate share of contributions	24,821	(24,249)	28,848	(28,523)	53,669	(52,772)
Contributions subsequent to the measurement date	45,249	-	180,586	-	225,835	-
	<u>\$ 229,830</u>	<u>\$ (90,313)</u>	<u>\$ 777,845</u>	<u>\$ (151,698)</u>	<u>\$ 1,007,675</u>	<u>\$ (242,011)</u>

The City's contributions subsequent to the measurement date of \$225,835 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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 DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 412,227
2020	173,975
2021	(30,559)
2022	(16,354)
	<u>\$ 539,289</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was 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, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, 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 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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

Changes of Assumptions

There have been no changes in actuarial assumptions since June 2017. 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 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:

Asset Class	CERS Hazardous & Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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	\$ 1,137,255	\$ 903,375	\$ 707,424
Hazardous	3,192,282	2,547,844	2,015,096
Total	<u>\$ 4,329,537</u>	<u>\$ 3,451,219</u>	<u>\$ 2,722,520</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.

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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

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

Hazardous OPEB Plan Description

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.

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

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

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 for the year ended June 30, 2019, was 5.26% of covered-employee payroll for non-hazardous duty employees and 10.47% of covered-employee payroll 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 \$14,674 for non-hazardous duty employees and \$76,055 for hazardous duty employees for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2018, the City's proportion of the non-hazardous plan was .01483% of the non-hazardous plan and .105356% of the hazardous plan.

For the year ended June 30, 2019, the City recognized an OPEB expense of \$64,531. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ (30,689)	\$ -	\$ (83,943)	\$ -	\$ (114,632)
Net difference between projected actual earnings on plan investments	-	(18,139)	-	(71,410)	-	(89,549)
Changes of assumptions	52,593	(608)	230,506	(2,055)	283,099	(2,663)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(11,569)	-	(12,919)	-	(24,488)
Contributions subsequent to the measurement date	14,674	-	76,055	-	90,729	-
	<u>\$ 67,267</u>	<u>\$ (61,005)</u>	<u>\$ 306,561</u>	<u>\$ (170,327)</u>	<u>\$ 373,828</u>	<u>\$ (231,332)</u>

The City's contributions subsequent to the measurement date, \$14,674 for non-hazardous duty employees and \$76,055 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 40,169
2020	40,169
2021	(1,290)
2022	(20,435)
2023	(4,492)
Thereafter	(2,356)
	<u>\$ 51,765</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	25 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
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 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

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 summarized in the following table:

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

Changes of Assumptions

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%.
- 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).

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%
- For the hazardous plan, the single discount rate changed from 5.96% to 5.97%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85% for the non-hazardous plan and 5.97% 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 table presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.85% for the non-hazardous plan and 5.97% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.85%	5.85%	6.85%
Net OPEB liability, non-hazardous	\$ 342,035	\$ 263,339	\$ 196,304
Discount rate, hazardous	4.97%	5.97%	6.97%
Net OPEB liability, hazardous	1,044,129	751,146	516,604
Total	\$ 1,386,164	\$ 1,014,485	\$ 712,908

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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 196,059	\$ 263,339	\$ 342,644
Net OPEB liability, hazardous	511,566	751,146	1,047,874
Total	\$ 707,625	\$ 1,014,485	\$ 1,390,518

Plan Fiduciary Net Position

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

NOTE I – CONTINGENT LIABILITIES

The City is from time to time 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. As of June 30, 2019, the City is a defendant in three lawsuits. The first lawsuit involves a breach of contract dispute with a contractor. The suit involves the lack of payment by Dry Ridge for services rendered. The City took the provision that the liquidated damages provision did not require them to pay. Currently the court has ordered the City to pay \$75,000 and the contractor is appealing to request attorney's fees and interest. There is an additional, possible \$100,000 of exposure on this matter which may not be covered by insurance. The second involves a suit against a developer, and a subsequent counterclaim, that proper improvements were not accomplished in new development. The developer argues that they are due Tax Increment Financing funds from the City to complete the work. The parties are working out an amicable solution that should not create any cost to the City. The last case involves the City's water supplier, the City of Williamstown, arbitrarily and discriminatorily increased the rate. The case is currently on hold as the parties attempt to mutually work out an agreement.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

NOTE J – 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 pays an annual premium to Kentucky League of Cities Insurance Services (KLCIS) for its general and liability insurance, and workers' compensation coverage. KLCIS is self-sustaining through member premiums and will reinsure through a commercial companies for claims in excess of \$10 million for each insured event. 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's attorney estimates that the amount of actual potential claims against the City as of June 30, 2019, 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 four fiscal years.

NOTE K – TAX ABATEMENTS

In accordance with GASB 77, the City must disclose tax abatements and incentives provided within the City. The City has one Tax Increment Financing (TIF) District on which tax abatements are provided to fund the cost to develop infrastructure in the City.

Ghana Project

The local participation TIF district for the Ghana Project was created in 2018 and requires the City to pay for basic infrastructure such as water, sewer, sidewalks and streets to support the project which will contain at least 2 hotels and 2 out-lot restaurants. The City has secured bank financing for this project as described in Note G. The Developer has signed an unsecured note receivable in the amount of \$400,935 with the City to pay for a portion of the cost through Tax Increment Financing. The City will apply the incremental increase in property tax and 37.5% of the payroll taxes generated by this project toward the loan balance (principal and interest), and simultaneously reduce the receivable from the Developer.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2019

Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2019

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2019
--

NOTE O – SUBSEQUENT EVENTS

The City's management has evaluated and considered the need to recognize or disclose subsequent events through December 20, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2019, have not been evaluated by the City's management. The City has no significant events to disclose.

CITY OF DRY RIDGE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget - Positive (Negative)
Budgetary fund balance, July 1.	\$ 1,730,863	\$ 325,222	\$ 2,056,085	\$ 2,322,612	\$ 266,527
Resources (inflows)					
Taxes	575,900	(1,721)	574,179	624,416	50,237
Licenses and permits	1,215,750	1,377	1,217,127	1,600,025	382,898
Intergovernmental	101,000	(73,311)	27,689	108,266	80,577
Charges for service	871,737	(487,079)	384,658	339,040	(45,618)
Interest	6,400	2,419	8,819	9,036	217
Other income	61,520	(1,533)	59,987	118,047	58,060
Amount available for appropriation	<u>4,563,170</u>	<u>(234,626)</u>	<u>4,328,544</u>	<u>5,121,442</u>	<u>792,898</u>
Charges to appropriations (outflows):					
General government	350,822	(45,587)	305,235	309,868	(4,633)
Information systems	156,876	6,262	163,138	102,225	60,913
Police	512,816	(143,118)	369,698	353,544	16,154
Fire	1,458,411	(17,063)	1,441,348	1,394,017	47,331
Public works	147,291	163,791	311,082	294,060	17,022
Parks and recreation	192,995	(151,421)	41,574	35,419	6,155
Code enforcement	34,241	(8,850)	25,391	23,495	1,896
Debt service:	107,973	31,499	139,472	134,675	4,797
Total charges to appropriation	<u>2,961,425</u>	<u>(164,487)</u>	<u>2,796,938</u>	<u>2,647,303</u>	<u>149,635</u>
Budgetary fund balance, June 30	<u>\$ 1,601,745</u>	<u>\$ (70,139)</u>	<u>\$ 1,531,606</u>	<u>\$ 2,474,139</u>	<u>\$ 942,533</u>

CITY OF DRY RIDGE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Actual	Variance with Final Budget
	Original	Amendments	Final	Amounts	Positive (Negative)
Budgetary fund balance, July 1.	\$ 37,190	\$ 246	\$ 37,436	\$ 37,436	\$ -
Resources (inflows)					
Intergovernmental	42,150	2,037	44,187	44,779	592
Interest	-	182	182	181	(1)
Amount available for appropriation	<u>79,340</u>	<u>2,465</u>	<u>81,805</u>	<u>82,396</u>	<u>591</u>
Charges to appropriations (outflows):					
Public works	<u>42,150</u>	<u>(16,374)</u>	<u>25,776</u>	<u>25,608</u>	<u>168</u>
Total charges to appropriation	<u>42,150</u>	<u>(16,374)</u>	<u>25,776</u>	<u>25,608</u>	<u>168</u>
Budgetary fund balance, June 30	<u>\$ 37,190</u>	<u>\$ 18,839</u>	<u>\$ 56,029</u>	<u>\$ 56,788</u>	<u>\$ 759</u>

CITY OF DRY RIDGE, KY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS****Last Ten Fiscal Years****Schedule of the City's Proportionate Share of the Net Pension Liability****County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.014830%	0.015540%	0.014480%	0.013400%	0.013110%					
Proportionate share of the net pension liability (asset)	\$ 903,375	\$ 909,604	\$ 713,052	\$ 576,130	\$ 425,329					
Covered payroll in year of measurement	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	\$ 301,288					
Share of the net pension liability (asset) as a percentage of its covered payroll	245.86%	236.63%	218.78%	194.55%	141.17%					
Plan fiduciary net position as a percentage of total pension liability	53.54%	53.30%	59.97%	59.97%	66.80%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 45,249	\$ 53,205	\$ 53,623	\$ 40,479	\$ 37,758	\$ 41,397				
Actual contribution	45,249	53,205	53,623	40,479	37,758	41,397				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	\$ 301,288				
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%				

Notes to Required Supplementary Information**For the Year Ended June 30, 2019**

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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 G in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS****Last Ten Fiscal Years****Schedule of the City's Proportionate Share of the Net Pension Liability****County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.105350%	0.107487%	0.106370%	0.096850%	0.093178%					
Proportionate share of the net pension liability (asset)	\$ 2,547,844	\$ 2,404,784	\$ 1,825,318	\$ 1,514,912	\$ 1,119,835					
Covered payroll in year of measurement	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134					
Share of the net pension liability (asset) as a percentage of its covered payroll	434.18%	406.63%	325.72%	327.39%	239.72%					
Plan fiduciary net position as a percentage of total pension liabil	49.26%	49.80%	53.95%	57.52%	63.46%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributio	\$ 180,586	\$ 130,272	\$ 128,393	\$ 113,537	\$ 106,194	\$ 101,695				
Actual contribution	180,586	130,272	128,393	113,537	106,194	101,695				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134				
Contributions as a percentage of covered payroll	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%				

Notes to Required Supplementary Information**For the Year Ended June 30, 2019**

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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 G in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS****Last Ten Fiscal Years**

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.014830%	0.015540%								
Proportionate share of the net OPEB liability (asset)	\$ 263,339	\$ 312,407								
Covered payroll in year of measurement	\$ 367,435	\$ 384,394								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	71.67%	81.27%								
Plan fiduciary net position as a percentage of total OPEB liability	57.62%	52.40%								

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 14,674	\$ 17,269	\$ 18,182							
Actual contribution	14,674	17,269	18,182							
Contribution deficiency (excess)	-	-	-							
Covered payroll	\$ 278,969	\$ 367,435	\$ 384,394							
Contributions as a percentage of covered payroll	5.26%	4.70%	4.73%							

**Notes to Required Supplementary Information
For the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, 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 G in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS****Last Ten Fiscal Years**

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.105356%	0.107487%								
Proportionate share of the net OPEB liability (asset)	\$ 751,146	\$ 888,564								
Covered payroll in year of measurement	\$ 586,812	\$ 591,400								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	128.00%	150.25%								
Plan fiduciary net position as a percentage of total OPEB liability	64.24%	59.00%								

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 76,055	\$ 54,867	\$ 55,296							
Actual contribution	76,055	54,867	55,296							
Contribution deficiency (excess)	-	-	-							
Covered payroll	\$ 726,412	\$ 586,812	\$ 591,400							
Contributions as a percentage of covered payroll	10.47%	9.35%	9.35%							

**Notes to Required Supplementary Information
For the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, 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 G in the Notes to the Financial Statements.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

**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 Honorable Mayor and
Members of Council of
City of Dry Ridge, 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, the business-type activities and each major fund of the City of Dry Ridge, Kentucky as of June 30, 2019 and the related notes to the financial statements which collectively comprise the City of Dry Ridge, Kentucky's financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Dry Ridge, 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 City of Dry Ridge, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dry Ridge, 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. 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.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dry Ridge, 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 audits, 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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 20, 2019