

**CITY OF DRY RIDGE, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2020**

**CITY OF DRY RIDGE, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2020**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>INTRODUCTORY SECTION</b>	
City Officials.....	1
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b> .....	2-3
<b>Management's Discussion and Analysis</b> .....	4-9
<b>Basic Financial Statements</b>	
<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
<b>Notes to Financial Statements</b> .....	18-41
<b>Required Supplementary Information</b>	
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
<b>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></b> .....	48-49

**CITY OF DRY RIDGE, KENTUCKY**

**CITY OFFICIALS**

**June 30, 2020**

**Mayor**

Greg Brockman

**Council Members**

Ashley Brinker

Eric Brockman

Kenneth Edmondson

James Hendy

Carisa Hughett

William Webb

**Legal Counsel**

Jack S. Gatlin

## INDEPENDENT AUDITOR'S REPORT

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***-Management's Responsibility for the Financial Statements***

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

#### ***-Auditor's Responsibility***

Our responsibility is to express 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.

**-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, 2020 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 January 8, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dry Ridge, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dry Ridge, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

**Van Gorder, Walker, & Co., Inc.**  
Erlanger, Kentucky  
January 8, 2021

## 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, 2020, 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, 2020, net position changed as follows:

	<u>2020</u>	<u>2019</u>
Beginning net position	\$ 2,166,260	\$ 2,407,584
Prior period adjustments	(44,702)	-
Change in net position	<u>(328,162)</u>	<u>(241,324)</u>
Ending net position	<u>\$ 1,793,396</u>	<u>\$ 2,166,260</u>

## Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 3,556,628	\$ 3,058,284	\$ 1,141,063	\$ 947,926	\$ 4,697,691	\$ 4,006,210
Capital assets	1,672,306	1,828,092	1,250,756	1,446,483	2,923,062	3,274,575
Deferred outflows	1,505,040	1,205,419	150,365	175,544	1,655,405	1,380,963
<b>Total Assets</b>	<b>6,733,974</b>	<b>6,091,795</b>	<b>2,542,184</b>	<b>2,569,953</b>	<b>9,276,158</b>	<b>8,661,748</b>
Current liabilities	244,540	269,963	312,417	301,381	556,957	571,344
Long-term liabilities	5,333,122	4,302,951	1,070,136	1,147,850	6,403,258	5,450,801
Deferred inflows	381,122	383,772	141,425	89,571	522,547	473,343
<b>Total Liabilities</b>	<b>5,958,784</b>	<b>4,956,686</b>	<b>1,523,978</b>	<b>1,538,802</b>	<b>7,482,762</b>	<b>6,495,488</b>
<b>Net Position:</b>						
Net investment in capital assets	1,184,717	1,225,754	829,310	990,478	2,014,027	2,216,232
Restricted	99,809	56,788	-	-	99,809	56,788
Unrestricted	(509,336)	(147,433)	188,896	40,673	(320,440)	(106,760)
<b>Total Net Position</b>	<b>\$ 775,190</b>	<b>\$ 1,135,109</b>	<b>\$ 1,018,206</b>	<b>\$ 1,031,151</b>	<b>\$ 1,793,396</b>	<b>\$ 2,166,260</b>

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		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 654,587	\$ 268,441	\$ 1,942,581	\$ 1,958,585	\$ 2,597,168	\$ 2,227,026
Operating grants	192,620	223,645	-	-	192,620	223,645
Capital grants	30,062	65,086	-	-	30,062	65,086
General Revenues:						
Property taxes	531,750	518,021	-	-	531,750	518,021
Other taxes	89,220	106,395	-	-	89,220	106,395
Licenses & permits	1,613,066	1,600,025	-	-	1,613,066	1,600,025
Interest	10,985	9,217	2,679	2,175	13,664	11,392
Miscellaneous	25,223	39,642	2,804	7,499	28,027	47,141
Total Revenues	<u>3,147,513</u>	<u>2,830,472</u>	<u>1,948,064</u>	<u>1,968,259</u>	<u>5,095,577</u>	<u>4,798,731</u>
Expenses:						
General government	309,479	328,725	-	-	309,479	328,725
IT	81,517	104,283	-	-	81,517	104,283
Police	378,858	440,560	-	-	378,858	440,560
Fire	2,509,541	1,713,889	-	-	2,509,541	1,713,889
Public works	154,484	230,161	-	-	154,484	230,161
Code enforcement	7,106	25,553	-	-	7,106	25,553
Recreation	62,896	66,333	-	-	62,896	66,333
Water & Sewer	-	-	1,916,307	2,120,662	1,916,307	2,120,662
Interest expense	3,551	9,889	-	-	3,551	9,889
Total Expenses	<u>3,507,432</u>	<u>2,919,393</u>	<u>1,916,307</u>	<u>2,120,662</u>	<u>5,423,739</u>	<u>5,040,055</u>
Change in						
Net Position	(359,919)	(88,921)	31,757	(152,403)	(328,162)	(241,324)
Prior period adjustment	-	-	(44,702)	-	(44,702)	-
Beginning 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>
Ending Net Position	<u>\$ 775,190</u>	<u>\$ 1,135,109</u>	<u>\$ 1,018,206</u>	<u>\$ 1,031,151</u>	<u>\$ 1,793,396</u>	<u>\$ 2,166,260</u>

Payroll taxes and insurance premium taxes are the primary source of income to the City and decreased \$71,620 or 5%. Property tax increased \$13,729 or 3%.

The majority of the City's expenses are dedicated to Public Safety (82%), Public Works and Recreation (6%), and Administration (9%). Overall expenses increased by \$451,089 (15%) for the fiscal year. This increase is attributable to an increase in police expense.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2020 General Fund revenues were \$300,069 above budgeted revenues. Expenditures were \$426,393 under budgeted expenditures; and all budget line items were less than budgeted. Municipal Road Aid fund revenues had a negative budget variance of \$3,822.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Land	\$ 80,000	\$ 80,000	\$ 2,000	\$ 2,000
Work in progress	436,530	436,530		
Buildings	189,481	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	1,914,227	1,492,129	-	-
Equipment	2,076,315	2,076,315	529,772	523,158
Furniture & fixtures	203,617	162,325	-	-
Totals	<u>\$ 5,660,292</u>	<u>\$ 5,575,236</u>	<u>\$ 5,008,787</u>	<u>\$ 5,002,173</u>

This year's net increase of \$85,056 in Governmental capital assets and \$6,614 in Business-type capital assets include:

	Governmental Activities	Business-type Activities
Park improvements	\$ -	\$ -
Fire engines and equipment	-	-
Police vehicles and equipment	422,098	-
Work in progress - Ghana project	-	-
Infrastructure	(378,334)	-
General equipment	41,292	6,614
	<u>\$ 85,056</u>	<u>\$ 6,614</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, 2020, the City had \$909,036 in outstanding debt. The following is a summary of the City's debt transactions during the year ended June 30, 2020:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ 487,590	\$ 602,338	\$ 255,146	\$ 285,805	\$ 742,736	\$ 888,143
Bonds payable	-	-	166,300	170,200	166,300	170,200
Totals	<u>\$ 487,590</u>	<u>\$ 602,338</u>	<u>\$ 421,446</u>	<u>\$ 456,005</u>	<u>\$ 909,036</u>	<u>\$ 1,058,343</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, 2020**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 2,747,235	\$ 766,210	\$ 3,513,445
Receivables:			
Property taxes	377,948	-	377,948
Accounts	448	374,853	375,301
Prepays	-	-	-
Note receivable	430,997	-	430,997
Capital assets:			
Capital assets not being depreciated	80,000	2,000	82,000
Other capital assets, net	1,592,306	1,248,756	2,841,062
<b>Total Assets</b>	<b>5,228,934</b>	<b>2,391,819</b>	<b>7,620,753</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflow of resources, pensions and OPEB	1,505,040	150,365	1,655,405
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>6,733,974</b>	<b>2,542,184</b>	<b>9,276,158</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	25,415	152,900	178,315
Accrued liabilities	101,484	20,710	122,194
Customer deposits	-	109,624	109,624
Due within one year	117,641	29,183	146,824
<b>Noncurrent liabilities:</b>			
Compensated absences	91,556	32,512	124,068
Due in more than one year	369,948	392,263	762,211
Net pension and OPEB liability	4,871,618	645,361	5,516,979
<b>Total Liabilities</b>	<b>5,577,662</b>	<b>1,382,553</b>	<b>6,960,215</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflow of resources, pensions and OPEB	381,122	141,425	522,547
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>5,958,784</b>	<b>1,523,978</b>	<b>7,482,762</b>
<b>Net Position</b>			
Net investment in capital assets	1,184,717	829,310	2,014,027
Restricted for Municipal Road Aid	99,809	-	99,809
Unrestricted	(509,336)	188,896	(320,440)
<b>Total Net Position</b>	<b>\$ 775,190</b>	<b>\$ 1,018,206</b>	<b>\$ 1,793,396</b>

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, 2020**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 309,479	\$ 7,765	\$ 272	\$ -	\$ (301,442)	\$ -	\$ (301,442)
Information systems	81,517	-	-	-	(81,517)	-	(81,517)
Police	378,858	-	55,906	-	(322,952)	-	(322,952)
Fire	2,509,541	646,822	91,678	-	(1,771,041)	-	(1,771,041)
Public works	154,484	-	44,764	30,062	(79,658)	-	(79,658)
Code enforcement	7,107	-	-	-	(7,107)	-	(7,107)
Recreation	62,896	-	-	-	(62,896)	-	(62,896)
Interest on long-term debt	3,551	-	-	-	(3,551)	-	(3,551)
<b>Total governmental activities</b>	<b>3,507,432</b>	<b>654,587</b>	<b>192,620</b>	<b>30,062</b>	<b>(2,630,163)</b>	<b>-</b>	<b>(2,630,163)</b>
<b>Business-type activities:</b>							
Water & sewer	1,916,307	1,942,581	-	-	-	26,274	26,274
<b>Total Business-type activities:</b>	<b>1,916,307</b>	<b>1,942,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,274</b>	<b>26,274</b>
<b>Total primary government</b>	<b>\$ 5,423,739</b>	<b>\$ 2,597,168</b>	<b>\$ 192,620</b>	<b>\$ 30,062</b>	<b>(2,630,163)</b>	<b>26,274</b>	<b>(2,603,889)</b>
			<b>General revenues:</b>				
			Taxes:				
			Property taxes		531,750	-	531,750
			Other taxes		89,220	-	89,220
			Licenses:				
			Payroll		1,088,105	-	1,088,105
			Insurance Premium		343,239	-	343,239
			Other licenses, fees & permits		181,721	-	181,721
			Miscellaneous		25,224	2,804	28,028
			Interest		10,985	2,679	13,664
			<b>Total general revenues/transfers</b>		<b>2,270,244</b>	<b>5,483</b>	<b>2,275,727</b>
			<b>Change in net position</b>		<b>(359,919)</b>	<b>31,757</b>	<b>(328,162)</b>
			<b>Net position - beginning</b>		<b>1,135,109</b>	<b>1,031,151</b>	<b>2,166,260</b>
			<b>Prior period adjustment</b>		<b>-</b>	<b>(44,702)</b>	<b>(44,702)</b>
			<b>Net position - ending</b>		<b>\$ 775,190</b>	<b>\$ 1,018,206</b>	<b>\$ 1,793,396</b>

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

**CITY OF DRY RIDGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,647,426	\$ 99,809	\$ 2,747,235
Taxes Receivable	377,948	-	377,948
Miscellaneous Receivable	448	-	448
<b>Total Assets</b>	<u>3,025,822</u>	<u>99,809</u>	<u>3,125,631</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	25,415	-	25,415
Accrued liabilities	101,484	-	101,484
<b>Total liabilities</b>	<u>126,899</u>	<u>-</u>	<u>126,899</u>
<b>Fund balances:</b>			
Unassigned	2,898,923	-	2,898,923
Restricted	-	99,809	99,809
<b>Total fund balances</b>	<u>2,898,923</u>	<u>99,809</u>	<u>2,998,732</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,025,822</u>	<u>\$ 99,809</u>	<u>\$ 3,125,631</u>

**Reconciliation of Fund Balances to the Statement of Net Position**

**Total Fund Balance for Governmental Funds** \$ 2,998,732

*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.	1,672,306
Long-term notes receivable are not current resources in the funds.	430,997
Long-term liabilities, including compensated absences and net pension liability, are not payable from current resources are not reported in the funds.	
Compensated absences	(91,556)
Long-term debt	(487,589)
Net pension liability	(4,871,618)

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	1,505,040
Deferred inflow of resources	(381,122)

**Net Position of Governmental Activities** \$ 775,190

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, 2020

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 620,970	\$ -	\$ 620,970
Licenses and permits	1,613,065	-	1,613,065
Intergovernmental	215,169	43,612	258,781
Charges for services	588,426	-	588,426
Interest	10,669	316	10,985
Miscellaneous	25,223	-	25,223
<b>Total Revenues</b>	<u>3,073,522</u>	<u>43,928</u>	<u>3,117,450</u>
<b>Expenditures</b>			
General government	281,281	-	281,281
Information systems	81,369	-	81,369
Police	234,111	-	234,111
Fire	1,671,663	-	1,671,663
Public works	126,799	907	127,706
Parks and recreation	44,747	-	44,747
Code enforcement	5,413	-	5,413
Capital outlay	85,056	-	85,056
Debt service - Principal	144,810	-	144,810
- Interest	3,551	-	3,551
<b>Total Expenditures</b>	<u>2,678,800</u>	<u>907</u>	<u>2,679,707</u>
<b>Excess of Revenues over Expenditures</b>	<u>394,722</u>	<u>43,021</u>	<u>437,743</u>
<b>Other Financing Sources</b>			
Proceeds from loans	30,062	-	30,062
<b>Total Other Financing Sources</b>	<u>30,062</u>	<u>-</u>	<u>30,062</u>
<b>Net change in fund balances</b>	424,784	43,021	467,805
<b>Fund balances - beginning</b>	<u>2,474,139</u>	<u>56,788</u>	<u>2,530,927</u>
<b>Fund balances - ending</b>	<u>\$ 2,898,923</u>	<u>\$ 99,809</u>	<u>\$ 2,998,732</u>

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, 2020**

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

Net change in fund balances - total governmental funds \$ 467,805

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 85,056  
Depreciation expense (240,842)

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 30,062  
TIF tax payments -

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 144,810  
Proceeds from loans (30,062)

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 (794,267)

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.

(22,481)

Change in net position of governmental activities \$ (359,919)

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



<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>STATEMENT OF NET POSITION - PROPRIETARY FUND</b> <b>June 30, 2020</b>
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**Assets**

**Current assets:**

Cash and cash equivalents	\$ 766,210
Accounts receivable	374,853
Prepaid expenses	-
<b>Total current assets</b>	<u>1,141,063</u>

**Noncurrent assets:**

Capital assets:	
Land	2,000
Building	74,561
Utility system	4,402,454
Equipment	529,772
Less accumulated depreciation	<u>(3,758,031)</u>
<b>Total noncurrent assets</b>	<u>1,250,756</u>

<b>Total Assets</b>	<u>2,391,819</u>
Deferred outflows	<u>150,365</u>
<b>Total Assets including Deferred Outflows</b>	<u>2,542,184</u>

**Liabilities**

**Current liabilities:**

Accounts payable	152,900
Accrued liabilities	20,710
Customer deposits	109,624
Bonds payable - current	<u>29,183</u>
<b>Total current liabilities</b>	<u>312,417</u>

**Noncurrent liabilities:**

Compensated absences	32,512
Bonds payable	392,263
Net pension liability	<u>645,361</u>
<b>Total noncurrent liabilities</b>	<u>1,070,136</u>

<b>Total Liabilities</b>	<u>1,382,553</u>
Deferred inflows	<u>141,425</u>
<b>Total Liabilities including Deferred Inflows</b>	<u>1,523,978</u>

**Net Position**

Invested in capital assets, net of related debt	829,310
Unrestricted	<u>188,896</u>
<b>Total Net Position</b>	<u>\$ 1,018,206</u>

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

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND</b> <b>NET POSITION - PROPRIETARY FUND</b> <b>For the Year Ended June 30, 2020</b>
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<b>Operating revenues:</b>	
Sewer service	\$ 1,087,155
Water service	754,351
Water station	1,982
Waste collection	77,446
Penalties	21,647
Miscellaneous	2,804
<b>Total operating revenues</b>	<u>1,945,385</u>
<b>Operating expenses:</b>	
Cost of sales and services	1,667,359
Depreciation	202,342
<b>Total operating expenses</b>	<u>1,869,701</u>
<b>Operating income</b>	<u>75,684</u>
<b>Nonoperating revenues (expenses):</b>	
Interest income	2,679
Interest expense	(14,835)
Net change in share of pension expense	(31,771)
<b>Total nonoperating revenues (expenses)</b>	<u>(43,927)</u>
<b>Change in net position</b>	31,757
<b>Total net position - beginning</b>	1,031,151
<b>Prior period adjustment</b>	<u>(44,702)</u>
<b>Total net position - ending</b>	<u>\$ 1,018,206</u>

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

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>STATEMENT OF CASH FLOWS - PROPRIETARY FUND</b> <b>For the Year Ended June 30, 2020</b>
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**Cash Flows From Operating Activities**

Receipts from customers and users	\$ 1,909,393
Payments to suppliers	(1,400,143)
Payments to employees	(264,261)

<b>Net Change in Cash from Operating Activities</b>	<u>244,989</u>
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**Cash Flows From Capital And Related Financing Activities**

Principal paid on capital debt	(34,559)
Interest paid on capital debt	(14,839)

<b>Net Change in Cash from Capital And Related Financing Activities</b>	<u>(49,398)</u>
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**Cash Flows From Investing Activities**

Purchase of fixed assets	(6,614)
Interest income	2,680

<b>Net Change in Cash from Investing Activities</b>	<u>(3,934)</u>
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<b>Net Change in Cash</b>	191,657
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<b>Cash - beginning of period</b>	<u>574,553</u>
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<b>Cash - end of period</b>	<u><u>\$ 766,210</u></u>
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**Reconciliation of Operating Income to Net Change in Cash from Operating Activities**

Operating income (loss)	\$ 75,684
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	202,342
(Increase) decrease in accounts receivable	(46,182)
Increase (decrease) in accounts payable	1,856
Increase (decrease) in accrued liabilities	1,099
Increase (decrease) in customer deposits	10,190
Total adjustments	<u>169,305</u>

<b>Net Change in Cash from Operating Activities</b>	<u><u>\$ 244,989</u></u>
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The accompanying notes are an integral part of these financial statements.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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**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.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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### ***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,

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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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, 2020.

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, 2020, were \$.2530 per \$100 valuation for real property and \$.2430 per \$100 valuation for personal property. The assessed value of property on which the levy for 2019 was based was \$174,351,170 for real property and \$39,172,912 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". There were no outstanding receivables or payables at June 30, 2020.

**CITY OF DRY RIDGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

*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, 2020**

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



<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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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, 2020.

*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.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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**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, 2020, the City had cash and cash equivalents of \$3,513,445. 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, 2020 the note receivable is \$430,997.

**NOTE E – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance June 30, 2019	Additions	Retirements/ Reclassifications	Balance June 30, 2020
Governmental activities:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Buildings	567,815	43,764	(422,098)	189,481
Improvements	440,746	-	-	440,746
Infrastructure	319,376	-	-	319,376
Vehicles	1,492,129	422,098	-	1,914,227
Equipment	2,076,315	-	-	2,076,315
Furniture & fixtures	162,325	41,292	-	203,617
Work in progress	436,530	-	-	436,530
Subtotal	<u>5,575,236</u>	<u>507,154</u>	<u>(422,098)</u>	<u>5,660,292</u>
Accumulated depreciation:				
Buildings	(479,265)	(3,336)	-	(482,601)
Improvements	(262,163)	6,904	-	(255,259)
Infrastructure	(125,751)	(17,221)	-	(142,972)
Vehicles	(1,313,241)	(78,620)	-	(1,391,861)
Equipment	(1,457,584)	(121,313)	-	(1,578,897)
Furniture & fixtures	(109,140)	(27,256)	-	(136,396)
Subtotal	<u>(3,747,144)</u>	<u>(240,842)</u>	<u>-</u>	<u>(3,987,986)</u>
Net capital assets	<u>\$ 1,828,092</u>	<u>\$ 266,312</u>	<u>\$ (422,098)</u>	<u>\$ 1,672,306</u>

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 4,852
Police	37,210
Fire	173,751
Public works	13,319
Recreation	11,710
Total governmental activities depreciation expense	<u>\$ 240,842</u>

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

	Balance June 30, 2019	Additions	Retirements/ Deletions	Balance June 30, 2020
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	523,158	6,614	-	529,772
Subtotal	<u>5,000,173</u>	<u>6,614</u>	<u>-</u>	<u>5,006,787</u>
Accumulated depreciation:				
Buildings	(23,747)	(1,864)	-	(25,611)
Utility system	(3,147,426)	(154,206)	-	(3,301,632)
Equipment	(384,517)	(46,271)	-	(430,788)
Subtotal	<u>(3,555,690)</u>	<u>(202,341)</u>	<u>-</u>	<u>(3,758,031)</u>
Net capital assets	<u>\$ 1,446,483</u>	<u>\$ (195,727)</u>	<u>\$ -</u>	<u>\$ 1,250,756</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.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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**NOTE G – LONG-TERM DEBT**

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

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020	Current Portion
Governmental activities -					
Heritage Bank Lease	\$ 74,631	\$ -	\$ (55,987)	\$ 18,644	\$ 18,644
Forcht Bank Ghana Loan	374,938	30,062	(42,147)	362,853	50,875
Forcht Bank Lease	152,769	-	(46,676)	106,093	48,122
Total governmental activities	<u>\$ 602,338</u>	<u>\$ 30,062</u>	<u>\$ (144,810)</u>	<u>\$ 487,590</u>	<u>\$ 117,641</u>
Business-type activities -					
2003 USDA Rural Dev	\$ 170,200	\$ -	\$ (3,900)	\$ 166,300	\$ 4,100
Heritage Bank Lease	13,594	-	(9,880)	3,714	3,714
Heritage Bank Lease	272,211	-	(20,779)	251,432	21,369
Total business-type activities	<u>\$ 456,005</u>	<u>\$ -</u>	<u>\$ (34,559)</u>	<u>\$ 421,446</u>	<u>\$ 29,183</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	
2021	\$ 18,644	\$ 107	\$ 3,714	\$ 19	\$ 22,484
Total	<u>\$ 18,644</u>	<u>\$ 107</u>	<u>\$ 3,714</u>	<u>\$ 19</u>	<u>\$ 22,484</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, 2020 the outstanding balance on this promissory note is \$362,853 with interest payments made in the amount of \$2,147.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 50,000	\$ 7,827	\$ 57,827
2022	50,000	6,270	56,270
2023	262,853	5,874	268,727
Total	<u>\$ 362,853</u>	<u>\$ 19,971</u>	<u>\$ 382,824</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
2021	\$ 48,122	\$ 3,068	\$ 51,190
2022	49,602	1,588	51,190
2023	8,369	17,226	25,595
Total	<u>\$ 106,093</u>	<u>\$ 21,882</u>	<u>\$ 127,975</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
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>\$ 251,432</u>	<u>\$ 37,253</u>	<u>\$ 288,685</u>

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 1<sup>st</sup> of each year beginning in 2006 and ending in 2043. Interest is payable on January 1s and July 1<sup>st</sup> each year and principal is due in annual

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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installments on January 1<sup>st</sup> 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
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>\$ 166,300</u>	<u>\$ 83,303</u>	<u>\$ 249,603</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. The City has both Non-Hazardous and Hazardous employees.

**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:

<p><b>CITY OF DRY RIDGE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2020</b></p>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

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

<p><b>CITY OF DRY RIDGE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2020</b></p>
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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 24.06%, of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019. For hazardous duty employees, the City contributed 39.58%, of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$42,414. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$252,157.



<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the City reported a liability of \$4,293,122 (\$899,034 – non-hazardous and \$3,394,088 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.01278% of the total CERS non-hazardous duty employees and 0.122872% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$640,499 in addition to its \$294,571 pension contribution.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 22,955	\$ (3,799)	\$ 144,207	\$ -	\$ 167,162	\$ (3,799)
Net difference between projected actual earnings on plan investments	-	(14,493)	-	(48,036)	-	(62,529)
Changes of assumptions	90,992	-	329,461	-	420,453	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,449	(91,965)	252,923	(16,737)	259,372	(108,702)
Contributions subsequent to the measurement date	42,414	-	252,157	-	294,571	-
	<u>\$ 162,810</u>	<u>\$ (110,257)</u>	<u>\$ 978,748</u>	<u>\$ (64,773)</u>	<u>\$ 1,141,558</u>	<u>\$ (175,030)</u>

The City's contributions subsequent to the measurement date of \$294,571 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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Fiscal Year Ending June 30,	Net Deferral
2020	\$ 409,705
2021	184,879
2022	73,287
2023	4,086
	\$ 671,957

### Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increase	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

### Changes of Assumptions

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

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

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, 2020**

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

**Discount Rate**

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

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,124,437	\$ 899,034	\$ 711,163
Hazardous	4,243,371	3,394,088	2,697,798
Total	\$ 5,367,808	\$ 4,293,122	\$ 3,408,961

**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.

<p><b>CITY OF DRY RIDGE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2020</b></p>
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

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

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

**Hazardous OPEB Plan Description**

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

<p><b>CITY OF DRY RIDGE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2020</b></p>
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

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

### **Contributions**

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2020, was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% 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 \$10,461 for non-hazardous duty employees and \$79,858 for hazardous duty employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined.

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
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At June 30, 2019, the City's proportion of the non-hazardous plan was .01278% of the non-hazardous plan and .122848% of the hazardous plan.

For the year ended June 30, 2020, the City recognized an OPEB expense of \$85,538. 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	\$ -	\$ (64,857)	\$ -	\$ (169,086)	\$ -	\$ (233,943)
Net difference between projected actual earnings on plan investments	-	(9,547)	-	(52,256)	-	(61,803)
Changes of assumptions	63,607	(425)	274,666	(1,721)	338,273	(2,146)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(40,360)	85,257	(9,266)	85,257	(49,626)
Contributions subsequent to the measurement date	10,461	-	79,858	-	90,319	-
	<u>\$ 74,068</u>	<u>\$ (115,189)</u>	<u>\$ 439,781</u>	<u>\$ (232,329)</u>	<u>\$ 513,849</u>	<u>\$ (347,518)</u>

The City's contributions subsequent to the measurement date, \$10,461 for non-hazardous duty employees and \$79,858 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2020	\$ 68,473
2021	20,128
2022	(3,544)
2023	4,049
2024	(10,759)
Thereafter	(2,330)
	<u>\$ 76,017</u>

### Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

<p><b>CITY OF DRY RIDGE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2020</b></p>
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Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 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% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality:	
Pre-retirement	PUB-2010 General Mortality table for Non-Hazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The 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, 2020**

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

**Changes of Assumptions**

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

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

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

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

**Discount Rate**

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

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

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



**CITY OF DRY RIDGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

	Proportionate Share of Net OPEB Liability		
	1% Decrease	Current Rate	1% Increase
Discount rate, non-hazardous	4.68%	5.68%	6.68%
Net OPEB liability, non-hazardous	\$ 287,950	\$ 214,954	\$ 154,810
Discount rate, hazardous	4.69%	5.69%	6.69%
Net OPEB liability, non-hazardous	1,268,103	908,903	617,337
Total	\$ 1,556,053	\$ 1,123,857	\$ 772,147

**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:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 159,862	\$ 214,954	\$ 281,759
Net OPEB liability, hazardous	632,428	908,903	1,246,187
Total	\$ 792,290	\$ 1,123,857	\$ 1,527,946

**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, 2020, the City is a defendant in two lawsuits. The first 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 second case involves the collection of code violations and back taxes. The City has been countersued for the value of the property. The risk and exposure to the city is less than \$30,000.

**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

<b>CITY OF DRY RIDGE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2020</b>
--

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, 2020, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past 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 – COVID-19 GLOBAL PANDEMIC**

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

#### **NOTE M – PRIOR PERIOD ADJUSTMENT**

The City has recorded an adjustment to Beginning Net Position in the Proprietary Fund of \$44,702 at June 30, 2019. This adjustment was to reduce the developer receivable previously recorded for the upgraded pump system in the Ashely/Summerfield development.

#### **NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2020  
Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2020  
Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance* – FY 2020

**CITY OF DRY RIDGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE O – FUTURE ACCOUNTING STANDARDS**

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

Statement No. 87 – *Leases* – Implementation in FY 2022

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

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

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

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

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

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

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

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

**NOTE P – SUBSEQUENT EVENTS**

The City's management has evaluated and considered the need to recognize or disclose subsequent events through January 8, 2021, 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, 2020, 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, 2020**

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1.</b>	\$ 1,531,606	\$ 942,533	\$ 2,474,139	\$ 2,474,139	\$ -
<b>Resources (inflows)</b>					
Taxes	572,430	89,988	662,418	620,970	(41,448)
Licenses and permits	1,223,750	60,729	1,284,479	1,613,065	328,586
Intergovernmental	27,600	137,127	164,727	215,169	50,442
Charges for service	519,825	117,979	637,804	588,426	(49,378)
Interest	5,500	(3,762)	1,738	10,669	8,931
Other income	2,002	50,347	52,349	25,223	(27,126)
Proceeds from loan				30,062	30,062
<b>Amount available for appropriation</b>	<b>3,882,713</b>	<b>1,394,941</b>	<b>5,277,654</b>	<b>5,577,723</b>	<b>300,069</b>
<b>Charges to appropriations (outflows):</b>					
General government	357,772	(61,999)	295,773	281,281	14,492
Information systems	185,990	(19,035)	166,955	81,369	85,586
Police	466,649	(221,043)	245,606	234,111	11,495
Fire	1,595,425	171,880	1,767,305	1,707,406	59,899
Public works	410,006	(11,640)	398,366	176,112	222,254
Parks and recreation	135,462	(61,944)	73,518	44,747	28,771
Code enforcement	10,438	(3,817)	6,621	5,413	1,208
Debt service:	184,984	(33,935)	151,049	148,361	2,688
<b>Total charges to appropriation</b>	<b>3,346,726</b>	<b>(241,533)</b>	<b>3,105,193</b>	<b>2,678,800</b>	<b>426,393</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 535,987</b>	<b>\$ 1,636,474</b>	<b>\$ 2,172,461</b>	<b>\$ 2,898,923</b>	<b>\$ 726,462</b>

**CITY OF DRY RIDGE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**MUNICIPAL ROAD AID FUND**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1.</b>	\$ 56,030	\$ 758	\$ 56,788	\$ 56,788	\$ -
<b>Resources (inflows)</b>					
Intergovernmental	42,150	5,350	47,500	43,612	(3,888)
Interest	-	250	250	316	66
<b>Amount available for appropriation</b>	<u>98,180</u>	<u>6,358</u>	<u>104,538</u>	<u>100,716</u>	<u>(3,822)</u>
<b>Charges to appropriations (outflows):</b>					
Public works	<u>42,000</u>	<u>(41,000)</u>	<u>1,000</u>	<u>907</u>	<u>93</u>
<b>Total charges to appropriation</b>	<u>42,000</u>	<u>(41,000)</u>	<u>1,000</u>	<u>907</u>	<u>93</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 56,180</u>	<u>\$ 47,358</u>	<u>\$ 103,538</u>	<u>\$ 99,809</u>	<u>\$ (3,729)</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)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.012780%	0.014830%	0.015540%	0.014480%	0.013400%	0.013110%				
Proportionate share of the net pension liability (asset)	\$ 899,034	\$ 903,375	\$ 909,604	\$ 713,052	\$ 576,130	\$ 425,329				
Covered payroll in year of measurement	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	\$ 301,288				
Share of the net pension liability (asset) as a percentage of its covered payroll	322.27%	245.86%	236.63%	218.78%	194.55%	141.17%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 42,414	\$ 45,249	\$ 53,205	\$ 53,623	\$ 40,479	\$ 37,758	\$ 41,397			
Actual contribution	42,414	45,249	53,205	53,623	40,479	37,758	41,397			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	#####			
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%			

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.122872%	0.105350%	0.107487%	0.106370%	0.096850%	0.093178%				
Proportionate share of the net pension liability (asset)	\$ 3,394,088	\$ 2,547,844	\$ 2,404,784	\$ 1,825,318	\$ 1,514,912	\$ 1,119,835				
Covered payroll in year of measurement	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134				
Share of the net pension liability (asset) as a percentage of its covered payroll	467.24%	434.18%	406.63%	325.72%	327.39%	239.72%				
Plan fiduciary net position as a percentage of total pension liabil	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contributio	\$ 252,157	\$ 180,586	\$ 130,272	\$ 128,393	\$ 113,537	\$ 106,194	\$ 101,695			
Actual contribution	252,157	180,586	130,272	128,393	113,537	106,194	101,695			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134			
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%			

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.012780%	0.014830%	0.015540%							
Proportionate share of the net OPEB liability (asset)	\$ 214,954	\$ 263,339	\$ 312,407							
Covered payroll in year of measurement	\$ 278,969	\$ 367,435	\$ 384,394							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	77.05%	71.67%	81.27%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 10,461	\$ 14,674	\$ 17,269	\$ 18,182						
Actual contribution	10,461	14,674	17,269	18,182						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%						

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.122848%	0.105356%	#####							
Proportionate share of the net OPEB liability (asset)	\$ 908,903	\$ 751,146	\$ 888,564							
Covered payroll in year of measurement	\$ 726,412	\$ 586,812	\$ 591,400							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	125.12%	128.00%	150.25%							
Plan fiduciary net position as a percentage of total OPEB liability	64.44%	64.24%	59.00%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 79,858	\$ 76,055	\$ 54,867	\$ 55,296						
Actual contribution	79,858	76,055	54,867	55,296						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400						
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%						

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

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

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

**To the 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, 2020 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 January 8, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

**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 financial statements. 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  
January 8, 2021