

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

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CITY OF DRY RIDGE, KENTUCKY

CITY OFFICIALS

June 30, 2021

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 of the
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, each major fund, and the aggregate remaining fund information of the City of Dry Ridge, Kentucky, as of and for the year ended June 30, 2021, 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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Municipal Road Aid Fund	Unmodified

Basis for Qualified Opinion on Business-Type Activities

The accounts receivable and customer deposit balances in the City's water & sewer proprietary fund were not audited because accurate financial reports for these accounts could not be produced. The amount by which this departure would affect the assets, net position, and revenues of the business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Dry Ridge, Kentucky, as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dry Ridge, Kentucky, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-9, and the major fund budgetary comparison, pension, and OPEB disclosure schedules on pages 42-47 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 February 17, 2022 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
February 17, 2022

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, 2021, 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, 2021, net position changed as follows:

	2021	2020
Beginning net position	\$ 1,793,396	\$ 2,121,558
Change in net position	898,650	(328,162)
Ending net position	<u>\$ 2,692,046</u>	<u>\$ 1,793,396</u>

Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 4,992,409	\$ 3,556,628	\$ 1,418,492	\$ 1,141,063	\$ 6,410,901	\$ 4,697,691
Capital assets	1,653,030	1,672,306	1,158,811	1,250,756	2,811,841	2,923,062
Deferred outflows	1,725,651	1,505,040	107,810	150,365	1,833,461	1,655,405
Total Assets	<u>8,371,090</u>	<u>6,733,974</u>	<u>2,685,113</u>	<u>2,542,184</u>	<u>11,056,203</u>	<u>9,276,158</u>
Current liabilities	192,061	244,540	257,853	312,417	449,914	556,957
Long-term liabilities	6,558,086	5,333,122	1,004,819	1,070,136	7,562,905	6,403,258
Deferred inflows	225,945	381,122	125,393	141,425	351,338	522,547
Total Liabilities	<u>6,976,092</u>	<u>5,958,784</u>	<u>1,388,065</u>	<u>1,523,978</u>	<u>8,364,157</u>	<u>7,482,762</u>
Net Position:						
Net investment in capital assets	1,099,763	1,184,717	766,220	829,310	1,865,983	2,014,027
Restricted	133,463	99,809	-	-	133,463	99,809
Unrestricted	161,772	(509,336)	530,828	188,896	692,600	(320,440)
Total Net Position	<u>\$ 1,394,998</u>	<u>\$ 775,190</u>	<u>\$ 1,297,048</u>	<u>\$ 1,018,206</u>	<u>\$ 2,692,046</u>	<u>\$ 1,793,396</u>

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

Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 684,533	\$ 654,587	\$ 1,899,398	\$ 1,942,581	\$ 2,583,931	\$ 2,597,168
Operating grants	750,746	192,620	-	-	750,746	192,620
Capital grants	72,258	30,062	-	-	72,258	30,062
General Revenues:	-					
Property taxes	524,049	531,750	-	-	524,049	531,750
Other taxes	283,320	89,220	-	-	283,320	89,220
Licenses & permits	1,720,219	1,613,066	-	-	1,720,219	1,613,066
Interest	15,731	10,985	3,164	2,679	18,895	13,664
Miscellaneous	15,462	25,223	4,068	2,804	19,530	28,027
Total Revenues	4,066,318	3,147,513	1,906,630	1,948,064	5,972,948	5,095,577
Expenses:						
General government	317,840	309,479	-	-	317,840	309,479
IT	92,206	81,517	-	-	92,206	81,517
Police	409,757	378,858	-	-	409,757	378,858
Fire	1,250,623	2,509,541	-	-	1,250,623	2,509,541
EMS	1,153,886	-	-	-	1,153,886	-
Public works	153,870	154,484	-	-	153,870	154,484
Code enforcement	5,541	7,106	-	-	5,541	7,106
Recreation	58,793	62,896	-	-	58,793	62,896
Water & Sewer	-	-	1,627,788	1,916,307	1,627,788	1,916,307
Interest expense	3,994	3,551	-	-	3,994	3,551
Total Expenses	3,446,510	3,507,432	1,627,788	1,916,307	5,074,298	5,423,739
Change in						
Net Position	619,808	(359,919)	278,842	31,757	898,650	(328,162)
Beginning Net Position	775,190	1,135,109	1,018,206	986,449	1,793,396	2,121,558
Ending Net Position	\$ 1,394,998	\$ 775,190	\$ 1,297,048	\$ 1,018,206	\$ 2,692,046	\$ 1,793,396

Payroll taxes and insurance premium taxes are the primary source of income to the City and increased \$113,370 or 7.9%. Property tax increased \$27,409 or 5%.

The majority of the City's expenses are dedicated to Public Safety (82%), Public Works and Recreation (4.5%), and Administration (12%). Overall expenses decreased by \$60,923 (1.7%) for the fiscal year. This decrease is attributable to an decrease in fire and EMS expenses.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2021 General Fund revenues were \$1,762,594 above budgeted revenues. Expenditures were \$378,870 under budgeted expenditures. Municipal Road Aid fund revenues had a positive budget variance of \$29,775.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Land	\$ 92,500	\$ 80,000	\$ 2,000	\$ 2,000
Work in progress	58,196	58,196	-	-
Buildings	567,815	567,815	74,561	74,561
Utility system	-	-	4,402,454	4,402,454
Infrastructure	741,474	741,474	-	-
Improvements	440,746	440,746	-	-
Vehicles	1,633,229	1,492,129	-	-
Equipment	2,194,667	2,117,607	567,772	529,772
Furniture & fixtures	162,325	162,325	-	-
Totals	<u>\$ 5,890,952</u>	<u>\$ 5,660,292</u>	<u>\$ 5,046,787</u>	<u>\$ 5,008,787</u>

This year's net increase of \$230,660 in Governmental capital assets and \$38,000 in Business-type capital assets include:

	Governmental Activities	Business-type Activities
Land	\$ 12,500	\$ -
Ambulance	141,100	-
EMS Equipment	77,060	-
Straeffer pump	-	38,000
	<u>\$ 230,660</u>	<u>\$ 38,000</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, 2021:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 553,267	\$ 487,590	\$ 230,391	\$ 255,146	\$ 783,658	\$ 742,736
Bonds payable	-	-	162,200	166,300	162,200	166,300
Totals	<u>\$ 553,267</u>	<u>\$ 487,590</u>	<u>\$ 392,591</u>	<u>\$ 421,446</u>	<u>\$ 945,858</u>	<u>\$ 909,036</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 2022 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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,127,023	\$ 1,013,796	\$ 5,140,819
Receivables:			
Property taxes	429,853	-	429,853
Accounts	-	404,696	404,696
Note receivable	435,533	-	435,533
Capital assets:			
Capital assets not being depreciated	92,500	2,000	94,500
Other capital assets, net	1,560,530	1,156,811	2,717,341
Total Assets	6,645,439	2,577,303	9,222,742
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources, pensions and OPEB	1,725,651	107,810	1,833,461
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	8,371,090	2,685,113	11,056,203
Liabilities			
Current liabilities:			
Accounts payable	32,799	106,686	139,485
Accrued liabilities	60,572	10,443	71,015
Customer deposits	-	114,465	114,465
Due within one year	98,690	26,259	124,949
Noncurrent liabilities:			
Compensated absences	123,312	26,336	149,648
Due in more than one year	454,577	366,332	820,909
Net pension and OPEB liability	5,980,197	612,151	6,592,348
Total Liabilities	6,750,147	1,262,672	8,012,819
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources, pensions and OPEB	225,945	125,393	351,338
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	6,976,092	1,388,065	8,364,157
Net Position			
Net investment in capital assets	1,099,763	766,220	1,865,983
Restricted for Municipal Road Aid	133,463	-	133,463
Unrestricted	161,772	530,828	692,600
Total Net Position	\$ 1,394,998	\$ 1,297,048	\$ 2,692,046

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, 2021

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 317,840	\$ -	\$ -	\$ -	\$ (317,840)	\$ -	\$ (317,840)
Information systems	92,206	-	-	-	(92,206)	-	(92,206)
Police	409,757	-	50,684	-	(359,073)	-	(359,073)
Fire	1,250,623	87,768	209,780	-	(953,075)	-	(953,075)
EMS	1,153,886	596,765	447,697	-	(109,424)	-	(109,424)
Public works	153,870	-	42,585	72,258	(39,027)	-	(39,027)
Code enforcement	5,541	-	-	-	(5,541)	-	(5,541)
Recreation	58,793	-	-	-	(58,793)	-	(58,793)
Interest on long-term debt	3,994	-	-	-	(3,994)	-	(3,994)
Total governmental activities	3,446,510	684,533	750,746	72,258	(1,938,973)	-	(1,938,973)
Business-type activities:							
Water & sewer	1,627,788	1,899,398	-	-	-	271,610	271,610
Total Business-type activities	1,627,788	1,899,398	-	-	-	271,610	271,610
Total primary government	\$ 5,074,298	\$ 2,583,931	\$ 750,746	\$ 72,258	(1,938,973)	271,610	(1,667,363)
			General revenues:				
			Taxes:				
			Property taxes		524,049	-	524,049
			Other taxes		283,320	-	283,320
			Licenses:				
			Payroll		1,088,105	-	1,088,105
			Insurance Premium		343,239	-	343,239
			Other licenses, fees & permits		288,875	-	288,875
			Miscellaneous		15,462	4,068	19,530
			Interest		15,731	3,164	18,895
			Total general revenues/transfers		2,558,781	7,232	2,566,013
			Change in net position		619,808	278,842	898,650
			Net position - beginning		775,190	1,018,206	1,793,396
			Net position - ending		\$ 1,394,998	\$ 1,297,048	\$ 2,692,046

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

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,993,560	\$ 133,463	\$ 4,127,023
Taxes Receivable	429,853	-	429,853
Miscellaneous Receivable	-	-	-
Total Assets	<u>4,423,413</u>	<u>133,463</u>	<u>4,556,876</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	32,799	-	32,799
Accrued liabilities	60,572	-	60,572
Total liabilities	<u>93,371</u>	<u>-</u>	<u>93,371</u>
Fund balances:			
Unassigned	4,330,042	-	4,330,042
Restricted	-	133,463	133,463
Total fund balances	<u>4,330,042</u>	<u>133,463</u>	<u>4,463,505</u>
Total Liabilities and Fund Balances	<u>\$ 4,423,413</u>	<u>\$ 133,463</u>	<u>\$ 4,556,876</u>

Reconciliation of Fund Balances to the Statement of Net Position

Total Fund Balance for Governmental Funds \$ 4,463,505

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.	1,653,030
Long-term notes receivable are not current resources in the funds.	435,533
Long-term liabilities, including compensated absences and net pension liability, are not payable from current resources are not reported in the funds.	
Compensated absences	(123,312)
Long-term debt	(553,267)
Net pension liability	(5,980,197)
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	1,725,651
Deferred inflow of resources	(225,945)

Net Position of Governmental Activities \$ 1,394,998

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

<p>CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2021</p>

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 807,369	\$ -	\$ 807,369
Licenses and permits	1,720,219	-	1,720,219
Intergovernmental	775,854	42,585	818,439
Charges for services	684,533	-	684,533
Interest	15,269	462	15,731
Miscellaneous	15,462	-	15,462
Total Revenues	<u>4,018,706</u>	<u>43,047</u>	<u>4,061,753</u>
Expenditures			
General government	308,677	-	308,677
Information systems	92,181	-	92,181
Police	271,042	-	271,042
Fire	760,008	-	760,008
EMS	832,212	-	832,212
Public works	104,014	9,393	113,407
Parks and recreation	44,419	-	44,419
Code enforcement	6,087	-	6,087
Capital outlay	230,660	-	230,660
Debt service - Principal	117,356	-	117,356
Debt service - Interest	3,994	-	3,994
Total Expenditures	<u>2,770,650</u>	<u>9,393</u>	<u>2,780,043</u>
Excess of Revenues over Expenditures	<u>1,248,056</u>	<u>33,654</u>	<u>1,281,710</u>
Other Financing Sources (Uses)			
Proceeds from loans	251,630	-	251,630
Existing loan paid with new loan proceeds	(68,597)	-	(68,597)
Total Other Financing Sources	<u>183,033</u>	<u>-</u>	<u>183,033</u>
Net change in fund balances	1,431,089	33,654	1,464,743
Fund balances - beginning	<u>2,898,923</u>	<u>99,809</u>	<u>2,998,732</u>
Fund balances - ending	<u>\$ 4,330,012</u>	<u>\$ 133,463</u>	<u>\$ 4,463,475</u>

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

<p>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, 2021</p>

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

Net change in fund balances - total governmental funds	\$ 1,464,743
Amounts reported for <i>governmental activities</i> 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	230,660
Depreciation expense	(249,936)
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	12,265
TIF tax payments	(7,701)
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	185,953
Proceeds from loans	(251,630)
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	(732,791)
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.	
	<u>(31,755)</u>
Change in net position of governmental activities	<u>\$ 619,808</u>

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 1,013,796
Accounts receivable	404,696
Prepaid expenses	-
Total current assets	<u>1,418,492</u>

Noncurrent assets:

Capital assets:	
Land	2,000
Building	74,561
Utility system	4,402,454
Equipment	567,772
Less accumulated depreciation	<u>(3,887,976)</u>

Total noncurrent assets	<u>1,158,811</u>
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Total Assets	<u>2,577,303</u>
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Deferred outflows	<u>107,810</u>
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Total Assets including Deferred Outflows	<u>2,685,113</u>
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Liabilities

Current liabilities:

Accounts payable	106,686
Accrued liabilities	10,443
Customer deposits	114,465
Bonds payable - current	<u>26,259</u>

Total current liabilities	<u>257,853</u>
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Noncurrent liabilities:

Compensated absences	26,336
Bonds payable	366,332
Net pension liability	<u>612,151</u>

Total noncurrent liabilities	<u>1,004,819</u>
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Total Liabilities	<u>1,262,672</u>
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Deferred inflows	<u>125,393</u>
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Total Liabilities including Deferred Inflows	<u>1,388,065</u>
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Net Position

Invested in capital assets, net of related debt	766,220
Unrestricted	<u>530,828</u>

Total Net Position	<u>\$ 1,297,048</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended June 30, 2021
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Operating revenues:	
Sewer service	\$ 1,062,082
Water service	763,218
Water station	1,083
Waste collection	72,866
Penalties	149
Miscellaneous	4,068
Total operating revenues	<u>1,903,466</u>
Operating expenses:	
Cost of sales and services	1,489,636
Depreciation	129,945
Total operating expenses	<u>1,619,581</u>
Operating income	<u>283,885</u>
Nonoperating revenues (expenses):	
Interest income	3,164
Interest expense	(14,894)
Net change in share of pension expense	6,687
Total nonoperating revenues (expenses)	<u>(5,043)</u>
Change in net position	278,842
Total net position - beginning	<u>1,018,206</u>
Total net position - ending	<u><u>\$ 1,297,048</u></u>

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF CASH FLOWS - PROPRIETARY FUND For the Year Ended June 30, 2021
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Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,878,464
Payments to suppliers	(1,250,252)
Payments to employees	(302,041)
Net Change in Cash from Operating Activities	<u>326,171</u>
Cash Flows From Capital And Related Financing Activities	
Principal paid on capital debt	(28,855)
Interest paid on capital debt	(14,894)
Net Change in Cash from Capital And Related Financing Activities	<u>(43,749)</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	(38,000)
Interest income	3,164
Net Change in Cash from Investing Activities	<u>(34,836)</u>
Net Change in Cash	247,586
Cash - beginning of period	<u>766,210</u>
Cash - end of period	<u>\$ 1,013,796</u>
Reconciliation of Operating Income to Net Change in Cash from Operating Activities	
Operating income (loss)	<u>\$ 283,885</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	129,945
(Increase) decrease in accounts receivable	(29,843)
Increase (decrease) in accounts payable	(46,214)
Increase (decrease) in accrued liabilities	(16,443)
Increase (decrease) in customer deposits	4,841
Total adjustments	<u>42,286</u>
Net Change in Cash from Operating Activities	<u>\$ 326,171</u>

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, as under accrual accounting. However, debt service expenditures, as well as

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, 2021.

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, 2021 were \$.2480 per \$100 valuation for real property and \$.2090 per \$100 valuation for personal property. The assessed value of property on which the levy for 2020 was based was \$180,442,055 for real property and \$41,972,864 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, 2021.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, 2021
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Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Pensions

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

Other Post-Employment Benefits – Health Insurance Plan

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

Fund Equity

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

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

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

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

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

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, 2021.

Estimates and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance prior to June 1, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain taxpayer comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statute to present a quarterly report to the City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council authorizes supplemental appropriations during the year.

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

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, 2021, the City had cash and cash equivalents of \$5,140,819. 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, 2021 the note receivable is \$435,533.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2021 was as follows:

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 3,526
Police	15,577
Fire	191,559
Public works	21,065
Recreation	18,209
Total governmental activities depreciation expense	<u>\$ 249,936</u>

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

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

	Balance June 30, 2020	Additions	Retirements/ Deletions	Balance June 30, 2021
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	529,772	38,000	-	567,772
Subtotal	<u>5,006,787</u>	<u>38,000</u>	<u>-</u>	<u>5,044,787</u>
Accumulated depreciation:				
Buildings	(25,611)	(1,864)	-	(27,475)
Utility system	(3,301,632)	(90,785)	-	(3,392,417)
Equipment	(430,788)	(37,296)	-	(468,084)
Subtotal	<u>(3,758,031)</u>	<u>(129,945)</u>	<u>-</u>	<u>(3,887,976)</u>
Net capital assets	<u>\$ 1,250,756</u>	<u>\$ (91,945)</u>	<u>\$ -</u>	<u>\$ 1,158,811</u>

NOTE F – CLAIMS AND JUDGMENTS

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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, 2020	Additions	Retirements	Balance at June 30, 2021	Current Portion
Governmental activities -					
Heritage Bank Lease	\$ 18,644	\$ -	\$ (18,644)	\$ -	\$ -
Forcht Bank Ghana Loan	362,853	-	(50,175)	312,678	50,755
Forcht Bank Lease	106,093	-	(106,093)	-	-
Forcht Bank Lease-Ambulance	-	226,380	(7,073)	219,307	43,048
Forcht Bank Lease-Race Street	-	25,250	(3,968)	21,282	4,887
Total governmental activities	<u>\$ 487,590</u>	<u>\$ 251,630</u>	<u>\$ (185,953)</u>	<u>\$ 553,267</u>	<u>\$ 98,690</u>
Business-type activities -					
2003 USDA Rural Dev	\$ 166,300	\$ -	\$ (4,100)	\$ 162,200	\$ 4,300
Heritage Bank Lease	3,714	-	(3,714)	-	-
Heritage Bank Lease	251,432	-	(21,041)	230,391	21,959
Total business-type activities	<u>\$ 421,446</u>	<u>\$ -</u>	<u>\$ (28,855)</u>	<u>\$ 392,591</u>	<u>\$ 26,259</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 was October 2, 2020.

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 carried 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%. The rate at June 30, 2021 was 2.60%. 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, 2021 the outstanding balance on this promissory note is \$312,678. Interest payments made during the year for this loan was \$9,758.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2022	\$ 50,755	\$ 6,270	\$ 57,025
2023	261,923	5,874	267,797
Total	<u>\$ 312,678</u>	<u>\$ 12,144</u>	<u>\$ 324,822</u>

Forcht Bank Lease – (Governmental Activities)

On August 14, 2020, the City entered into a \$26,250 promissory agreement with Forcht Bank to acquire property. This note carries an interest rate of 2.75% and requires monthly payments of \$451.35. Final payment will be August 14, 2025. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2022	\$ 4,885	\$ 531	\$ 5,416
2023	5,024	392	5,416
2024	5,164	252	5,416
2025	5,310	106	5,416
2026	899	4	903
Total	<u>\$ 21,282</u>	<u>\$ 1,284</u>	<u>\$ 22,566</u>

Forcht Bank Lease – (Governmental Activities)

On April 20, 2021, the City entered into a \$226,380 promissory agreement with Forcht Bank for the purchase of an ambulance, medical equipment, and to pay off the balance of an existing loan. This lease is secured by the ambulances, carries an interest rate of 2.60% and requires monthly payments of \$4,031. Final payment will be May 20, 2026. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2022	\$ 43,111	\$ 5,267	\$ 48,378
2023	\$ 44,261	4,117	48,378
2024	\$ 45,444	2,934	48,378
2025	\$ 46,658	1,720	48,378
2026	39,833	482	40,315
Total	<u>\$ 219,307</u>	<u>\$ 14,519</u>	<u>\$ 233,826</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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
2022	\$ 21,958	\$ 5,979	\$ 27,937
2023	22,561	5,376	27,937
2024	23,171	4,766	27,937
2025	23,821	4,116	27,937
2026	24,475	3,462	27,937
2027-2031	114,405	6,657	121,062
Total	<u>\$ 230,391</u>	<u>\$ 30,356</u>	<u>\$ 260,747</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 1st of each year beginning in 2006 and ending in 2043. Interest is payable on January 1s and July 1st each year and principal is due in annual installments on January 1st through 2043. Revenues from the water and sewer system are pledged for collateral. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2022	\$ 4,300	\$ 7,230	\$ 11,530
2023	4,500	7,039	11,539
2024	4,700	6,838	11,538
2025	4,900	6,629	11,529
2026	5,200	6,410	11,610
2027-2031	30,000	28,351	58,351
2032-2036	37,900	20,982	58,882
2037-2041	48,200	11,670	59,870
2042-2043	22,500	1,511	24,011
Totals	<u>\$ 162,200</u>	<u>\$ 96,660</u>	<u>\$ 258,860</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEM

Plan description - Employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous		Non-Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,506	81,147	9,474	9,470
Inactive Plan Members	91,543	29,362	3,422	856
Retired Members	64,539	36,371	10,023	6,853
	<u>237,588</u>	<u>146,880</u>	<u>22,919</u>	<u>17,179</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
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 or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
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 or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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Contributions – Required pension plan contributions by the employee are based on the tier:

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

Contributions

For non-hazardous duty employees, the City contributed 24.06%, of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee’s compensation during the fiscal year ended June 30, 2021.

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, 2021.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$68,100, of which \$54,627 was for the pension fund and \$13,476 was for the health insurance fund.

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$301,516 of which \$228,993 was for the pension fund and \$72,522 was for the health insurance fund.

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

At June 30, 2021, the City reported a liability of \$5,040,654 as its proportionate share of the net pension liability (\$866,317 for the non-hazardous plan and \$4,174,337 for the hazardous duty plan) The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2020 measurement year, the City's non-hazardous employer allocation proportion was 0.0113% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.13845% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized a pension expense of \$646,999 addition to its \$283,620 pension contribution.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 21,603	\$ -	\$ 129,462	\$ -	\$ 151,065	\$ -
Net difference between projected and actual earnings on plan investments	21,679	-	94,038	-	115,717	-
Changes of assumptions	33,828	-	158,314	-	192,142	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(112,061)	444,737	(4,950)	444,737	(117,011)
Contributions subsequent to the measurement date	54,627	-	228,993	-	283,620	-
	<u>\$ 131,737</u>	<u>\$ (112,061)</u>	<u>\$ 1,055,544</u>	<u>\$ (4,950)</u>	<u>\$ 1,187,281</u>	<u>\$ (117,011)</u>

The City's contributions subsequent to the measurement date of \$283,620 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 328,968
2022	210,624
2023	158,035
2024	89,023
2025	-
Thereafter	-
	<u>\$ 786,650</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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Actuarial Assumptions

The total pension liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013
with	Scale BB (set-back 1 year for females)

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

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2019.

Discount Rate

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	6.26%

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	\$ 1,068,358	\$ 866,317	\$ 699,020
Hazardous	5,158,886	4,174,337	3,370,685
Total	6,227,244	5,040,654	4,069,705

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>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021</p>

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

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>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021</p>

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

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2021, was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$13,473 for non-hazardous duty employees and \$72,522 for hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$1,551,694 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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,

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actuarially determined. At the June 30, 2020 measurement date, the City's proportion of the non-hazardous plan was 0.0113% and the hazardous plan was 0.138407%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$183,107 in addition to its \$85,995 contribution. 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	\$ 45,557	\$ (45,593)	\$ 43,891	\$ (127,725)	\$ 89,448	\$ (173,318)
Net difference between projected and actual earnings on plan investments	9,063	-	56,776	-	65,839	-
Changes of assumptions	47,428	(288)	208,658	(1,179)	256,086	(1,467)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(53,930)	148,811	(5,612)	148,811	(59,542)
Contributions subsequent to the measurement date	13,473	-	72,522	-	85,995	-
	<u>\$ 115,521</u>	<u>\$ (99,811)</u>	<u>\$ 530,658</u>	<u>\$ (134,516)</u>	<u>\$ 646,179</u>	<u>\$ (234,327)</u>

The City's contributions subsequent to the measurement date, \$85,995 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 92,433
2022	64,816
2023	75,944
2024	60,224
2025	32,440
Thereafter	-
	<u>\$ 325,857</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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Actuarial Assumptions

The total OPEB liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality with	RP-2000 Combined Mortality Table projected to 2013 Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the non-hazardous plan and from 5.69% to 5.30% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

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Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan and 5.30% 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.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	<u>100.00%</u>	<u>6.26%</u>

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 350,298	\$ 272,667	\$ 208,907
Discount Rate, Hazardous	4.30%	5.30%	6.30%
Net OPEB liability, Haz	\$ 1,736,245	\$ 1,279,027	\$ 910,601
Total	<u>\$ 2,086,543</u>	<u>\$ 1,551,694</u>	<u>\$ 1,119,508</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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	\$ 211,113	\$ 272,667	\$ 347,366
Net OPEB liability, hazardous	914,030	1,279,027	1,727,759
Total	\$ 1,125,143	\$ 1,551,694	\$ 2,075,125

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. As of June 30, 2021, the City is a defendant in two lawsuits. The first is a dispute involving a property owner that has sued the City for not being included in a TIFF District. The second case is a counterclaim from a condemnation case. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City pays an annual premium to Kentucky League of Cities Insurance Services (KLCIS) for its general and liability insurance, and workers’ compensation coverage. KLCIS is self-sustaining through member premiums and will reinsure through a commercial companies for claims in excess of \$10 million for each insured event. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City’s attorney estimates that the amount of actual potential claims against the City as of June 30, 2021, 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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021
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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 \$435,533 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 2021-22 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE M – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2021
Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021
Statement No. 90 – *Majority Equity Interests* – Implementation in 2021

The City has determined there are no effects from these pronouncements.

NOTE N – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – Implementation in FY 2022
Statement No. 91 – *Conduit Debt Obligations* – Implementation in 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 2023
Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023
Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE O – SUBSEQUENT EVENTS

The City's management has evaluated and considered the need to recognize or disclose subsequent events through February 17, 2022, 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, 2021, 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, 2021

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 2,172,462	\$ -	\$ 2,172,462	\$ 2,898,923	\$ 726,461
Resources (inflows)					
Taxes	668,280	-	668,280	807,369	139,089
Licenses and permits	1,298,750	-	1,298,750	1,720,219	421,469
Intergovernmental	475,298	-	475,298	328,156	(147,142)
Charges for service	769,825	-	769,825	1,132,231	362,406
Interest	1,500	-	1,500	15,269	13,769
Other income	20,550	-	20,550	15,462	(5,088)
Proceeds from loan				251,630	251,630
Amount available for appropriation	5,406,665	-	5,406,665	7,169,259	1,762,594
Charges to appropriations (outflows):					
General government	353,807	-	353,807	321,177	32,630
Information systems	171,948	-	171,948	92,181	79,767
Police	294,214	-	294,214	271,042	23,172
Fire	891,350	-	891,350	967,241	(75,891)
EMS	825,587	-	825,587	843,139	(17,552)
Public works	396,898	-	396,898	104,014	292,884
Parks and recreation	151,827	-	151,827	44,419	107,408
Code enforcement	11,334	-	11,334	6,087	5,247
Debt service:	121,122	-	121,122	189,917	(68,795)
Total charges to appropriation	3,218,087	-	3,218,087	2,839,217	378,870
Budgetary fund balance, June 30	\$ 2,188,578	\$ -	\$ 2,188,578	\$ 4,330,042	\$ 2,141,464

CITY OF DRY RIDGE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2021

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 103,538	\$ -	\$ 103,538	\$ 99,809	\$ (3,729)
Resources (inflows)					
Intergovernmental	39,826	-	39,826	42,585	2,759
Interest	150	-	150	462	312
Amount available for appropriation	<u>143,514</u>	<u>-</u>	<u>143,514</u>	<u>142,856</u>	<u>(658)</u>
Charges to appropriations (outflows):					
Public works	<u>39,826</u>	<u>-</u>	<u>39,826</u>	<u>9,393</u>	<u>30,433</u>
Total charges to appropriation	<u>39,826</u>	<u>-</u>	<u>39,826</u>	<u>9,393</u>	<u>30,433</u>
Budgetary fund balance, June 30	<u>\$ 103,688</u>	<u>\$ -</u>	<u>\$ 103,688</u>	<u>\$ 133,463</u>	<u>\$ 29,775</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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.011300%	0.012780%	0.014830%	0.015540%	0.014480%	0.013400%	0.013110%			
Proportionate share of the net pension liability (asset)	\$ 866,317	\$ 899,034	\$ 903,375	\$ 909,604	\$ 713,052	\$ 576,130	\$ 425,329			
Covered payroll in year of measurement	\$ 236,386	\$ 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	366.48%	322.27%	245.86%	236.63%	218.78%	194.55%	141.17%			
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%			

Schedule of the City's Contributions

County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 54,627	\$ 42,414	\$ 45,249	\$ 53,205	\$ 53,623	\$ 40,479	\$ 37,758	\$ 41,397		
Actual contribution	54,627	42,414	45,249	53,205	53,623	40,479	37,758	41,397		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	\$ 301,288		
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%		

Notes to Required Supplementary Information

For the Year Ended June 30, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.138451%	0.122872%	0.105350%	0.107487%	0.106370%	0.096850%	0.093178%			
Proportionate share of the net pension liability (asset)	\$4,174,337	\$3,394,088	\$2,547,844	\$2,404,784	\$1,825,318	\$1,514,912	\$1,119,835			
Covered payroll in year of measurement	\$ 838,844	\$ 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	497.63%	467.24%	434.18%	406.63%	325.72%	327.39%	239.72%			
Plan fiduciary net position as a percentage of total pension liability	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 228,993	\$ 252,157	\$ 180,586	\$ 130,272	\$ 128,393	\$ 113,537	\$ 106,194	\$ 101,695		
Actual contribution	228,993	252,157	180,586	130,272	128,393	113,537	106,194	101,695		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134		
Contributions as a percentage of covered payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%		

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.011300%	0.012780%	0.014830%	0.015540%						
Proportionate share of the net OPEB liability (asset)	\$ 272,677	\$ 214,954	\$ 263,339	\$ 312,407						
Covered payroll in year of measurement	\$ 236,386	\$ 278,969	\$ 367,435	\$ 384,394						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	115.35%	77.05%	71.67%	81.27%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 13,473	\$ 10,461	\$ 14,674	\$ 17,269	\$ 18,182					
Actual contribution	13,473	10,461	14,674	17,269	18,182					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.138407%	0.122848%	0.105356%	0.107487%						
Proportionate share of the net OPEB liability (asset)	\$ 1,279,027	\$ 908,903	\$ 751,146	\$ 888,564						
Covered payroll in year of measurement	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	152.47%	125.12%	128.00%	150.25%						
Plan fiduciary net position as a percentage of total OPEB liability	58.84%	64.44%	64.24%	59.00%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 72,522	\$ 79,858	\$ 76,055	\$ 54,867	\$ 55,296					
Actual contribution	72,522	79,858	76,055	54,867	55,296					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400					
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%					

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021 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 February 17, 2022.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings* as items 2021-01, 2021-02, 2021-03, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dry Ridge, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings* as items 2021-01, 2021-02, 2021-03.

City of Dry Ridge, Kentucky's Response to Findings

City of Dry Ridge, Kentucky's response to the findings identified in our audit is described in the accompanying *Schedule of Findings*. City of Dry Ridge, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

February 17, 2022

SCHEDULE OF FINDINGS

FINDING 2021-01

Lack of Control Over Financial Reporting – Due To/Due From Accounts Not Balanced

Criteria: Kentucky Revised Statute 91A.020, paragraph (1)(b) states “*Each city shall keep its accounting records and render financial reports in such a way as to: (b) Determine fairly and with full disclosure the financial operations of the constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles.*” The City is required by KRS statute to have internal controls over the fiscal year-end financial reporting process to record year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

Condition: *Due To/Due From* accounts are “internal” accounts that track what is borrowed and lent between City funds. A *Due To* is when one fund borrows money or pays an expense on behalf of another fund. The other fund then records an equal and offsetting *Due From*. Typically, the funds use the *Due To/Due From* accounts to reimburse each other. *Due To/Due From* accounts should always balance to \$0.

Effect: The City’s *Due To/Due From* accounts did not balance, which misstated the City’s financial position, and required significant audit adjustments to correct. Most of the due to/due from activity is a result of payroll and it appears the utility fund was reimbursing the payroll bank account throughout the year. The entries were not consistently made to the correct accounts. The City is therefore in violation of KRS 91A.020(1)(b).

Recommendation: We recommend that the City monitor the General Fund and Utility Fund trial balance each month to ensure these *Due To/Due From* accounts balance. The City’s consultant accountant should test these accounts at the end of the fiscal year to ensure that they balance and make any adjustments to the funds to ensure that they do indeed balance to \$0.

Management Comments: *The City will direct its consultant accountant to review these fund accounts, at least at fiscal year-end, to ensure that they balance to \$0.*

FINDING 2021-02

Lack of Control Over Financial Reporting – Subsidiary Reports

Criteria: Kentucky Revised Statute 91A.020, paragraph (1)(b) states “*Each city shall keep its accounting records and render financial reports in such a way as to: (b) Determine fairly and with full disclosure the financial operations of the constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles.*”

Best accounting practices require that governmental entities should be able to reconcile the utility subsidiary reports for customers unpaid balances to the general ledger accounts receivable account and the utility subsidiary report for customer deposits to the general ledger account for customer deposits.

Condition: For the fiscal year 2020-2021, the City was unable to run reports from the utility software program to substantiate the customer accounts receivable and customer deposits balances in the General Ledger.

Effect: The City's balances of accounts receivable were not able to be audited to ensure the financial records were fairly stated in accordance with generally accepted accounting principles. The City is therefore in violation of KRS 91A.020(1)(b).

Recommendation: We recommend the City, in conjunction with its software provider and its consultant accountant, develop reports in the utility software that will allow monthly reconciliations between these reports and the general ledger.

Management Comments: *The City has installed an upgraded Utility Software that will allow it to provide these routine reports on a monthly basis.*

FINDING 2021-03

Lack of Control Over Financial Reporting – Customer Utility Deposits

Criteria: Kentucky Revised Statute 278.460 requires utilities to pay interest on deposits required of customers to secure utility service. The rate is the lower of the actual interest rate earned on the account or the annual PSC calculated interest rate. The PSC calculated rate for calendar year 2019 is 2.65%; calendar year 2020 is 1.66%; calendar years 2021 and 2022 is .12% each, respectively.

Condition: During routine testing, we noted that security deposits are held until either a resident requests a refund or the resident moves. No interest has ever been credited to their account.

Effect: The City is not compliant with KRS 278.460.

Recommendation: The City needs to calculate and add interest to each customer's deposit total to be compliant with the statute. The City may also want to revisit their policy on applying utility security deposits after a period of time (for example – after one year of satisfactory utility payments).

Management Comments: *The City has installed an upgraded Utility Software that will allow it to provide these routine reports on a monthly basis.*