

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

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CITY OF DRY RIDGE, KENTUCKY

CITY OFFICIALS

June 30, 2022

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 Council of
City of Dry Ridge, Kentucky**

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Dry Ridge, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dry Ridge, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dry Ridge, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Dry Ridge, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dry Ridge, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dry Ridge, Kentucky's basic financial statements. The minor governmental fund budget to actual statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the minor governmental fund budget to actual statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, 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 City of Dry Ridge, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
January 25, 2023

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, 2022, is intended to compliment the formal financial statements. 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 - 4.
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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2022, net position changed as follows:

	2022	2021
Beginning net position	\$ 2,692,046	\$ 1,793,396
Change in net position	1,382,643	898,650
Ending net position	<u>\$ 4,074,689</u>	<u>\$ 2,692,046</u>

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.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 7,072,441	\$ 4,992,409	\$ 1,559,223	\$ 1,418,492	\$ 8,631,664	\$ 6,410,901
Capital assets	1,537,865	1,653,030	1,028,865	1,158,811	2,566,730	2,811,841
Deferred outflows	1,305,637	1,725,651	150,885	107,810	1,456,522	1,833,461
Total Assets	<u>9,915,943</u>	<u>8,371,090</u>	<u>2,738,973</u>	<u>2,685,113</u>	<u>12,654,916</u>	<u>11,056,203</u>
Current liabilities	676,066	192,061	317,358	257,853	993,424	449,914
Long-term liabilities	5,388,806	6,558,086	928,168	1,004,819	6,316,974	7,562,905
Deferred inflows	1,138,284	225,945	131,545	125,393	1,269,829	351,338
Total Liabilities	<u>7,203,156</u>	<u>6,976,092</u>	<u>1,377,071</u>	<u>1,388,065</u>	<u>8,580,227</u>	<u>8,364,157</u>
Net Position:						
Net investment in capital assets	1,019,311	1,099,763	662,132	766,220	1,681,443	1,865,983
Restricted	165,062	133,463	-	-	165,062	133,463
Unrestricted	<u>1,528,414</u>	<u>161,772</u>	<u>699,770</u>	<u>530,828</u>	<u>2,228,184</u>	<u>692,600</u>
Total Net Position	<u>\$ 2,712,787</u>	<u>\$ 1,394,998</u>	<u>\$ 1,361,902</u>	<u>\$ 1,297,048</u>	<u>\$ 4,074,689</u>	<u>\$ 2,692,046</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			
	2022	2021	2022	(Restated) 2021	2022	(Restated) 2021
Revenues:						
Program Revenues:						
Charges for services	\$ 1,885,587	\$ 684,533	\$ 1,929,313	\$ 1,899,398	\$ 3,814,900	\$ 2,583,931
Operating grants	109,553	750,746	-	-	109,553	750,746
Capital grants	244,109	72,258	-	-	244,109	72,258
General Revenues:	-	-				
Property taxes	536,932	524,049	-	-	536,932	524,049
Other taxes	296,229	283,320	-	-	296,229	283,320
Licenses & permits	1,972,827	1,720,219	-	-	1,972,827	1,720,219
Interest	19,961	15,731	3,735	3,164	23,696	18,895
Miscellaneous	53,305	15,462	130	4,068	53,435	19,530
Total Revenues	5,118,503	4,066,318	1,933,178	1,906,630	7,051,681	5,972,948
Expenses:						
General government	2,730,325	317,840	-	-	2,730,325	317,840
IT	76,693	92,206	-	-	76,693	92,206
Police	26,621	409,757	-	-	26,621	409,757
Fire	124,703	1,250,623	-	-	124,703	1,250,623
EMS	187,061	1,153,886	-	-	187,061	1,153,886
Public works	286,088	153,870	-	-	286,088	153,870
Code enforcement	-	5,541	-	-	-	5,541
Recreation	21,377	58,793	-	-	21,377	58,793
Unalloc. Pension	139,198	-	-	-	139,198	-
Unalloc.depreciation	201,846	-	-	-	201,846	-
Water & Sewer	-	-	1,754,235	1,741,877	1,754,235	1,741,877
Interest expense	6,802	3,994	-	-	6,802	3,994
Total Expenses	3,800,714	3,446,510	1,754,235	1,741,877	5,554,949	5,188,387
Change in						
Net Position	1,317,789	619,808	178,943	164,753	1,496,732	784,561
Beginning Net Position	1,394,998	775,190	1,182,959	1,018,206	2,577,957	2,121,558
Ending Net Position	\$ 2,712,787	\$ 1,394,998	\$ 1,361,902	\$ 1,182,959	\$ 4,074,689	\$ 2,906,119

Payroll taxes and insurance premium taxes are the primary source of income to the City and increased \$252,608 or 15% due to payroll growth in the City. Property tax increased \$12,883 or 3% due to increased property valuations; there was no increase in property tax during this fiscal year.

The majority of the City's expenses are dedicated to Public Safety, Public Works, and General Government. The City began carrying all of its personnel related expenditures in the General Government category during the current fiscal year. Overall expenses increased by \$354,204 or 11% for the fiscal year. This increase is attributable to an increase in personnel expense for the EMS

services which now cover all of Grant County. The City charges Grant County and other Grant County municipalities for this service, as is noted in the significant increases in the charges for services revenues.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2022 General Fund revenues were \$828,477 above budgeted revenues. Expenditures were \$670,483 under budgeted expenditures. Expenditures for general government were significantly below budget and most ARPA expenditures were delayed until future fiscal years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Land	\$ 117,500	\$ 92,500	\$ 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	1,625,449	1,633,229	-	-
Equipment	2,194,667	2,194,667	567,772	567,772
Furniture & fixtures	162,325	162,325	-	-
Totals	<u>\$ 5,908,172</u>	<u>\$ 5,890,952</u>	<u>\$ 5,046,787</u>	<u>\$ 5,046,787</u>

This year's net increase of \$17,220 in Governmental capital assets includes the following:

	Governmental Activities	Business-type Activities
Land	\$ 25,000	\$ -
Public works truck	61,682	-
Disposal of old public works truck	(69,462)	-
	<u>\$ 17,220</u>	<u>\$ -</u>

Additional information on the City's capital assets can be found in Note F on pages 25-26.

Long-term Debt

At June 30, 2022, 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, 2022:

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Notes payable	\$ 518,554	\$ 553,267	\$ 208,833	\$ 230,391	\$ 727,387	\$ 783,658
Bonds payable	-	-	157,900	162,200	157,900	162,200
Totals	<u>\$ 518,554</u>	<u>\$ 553,267</u>	<u>\$ 366,733</u>	<u>\$ 392,591</u>	<u>\$ 885,287</u>	<u>\$ 945,858</u>

Additional information on the City of Dry Ridge's long-term debt can be found in Note G on pages 25-29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2023 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,176,428	\$ 1,368,654	\$ 7,545,082
Receivables:			
Property taxes	491,538	-	491,538
Accounts	3,615	190,569	194,184
Note receivable	400,860	-	400,860
Capital assets:			
Capital assets not being depreciated	117,500	-	117,500
Other capital assets, net	1,420,365	1,028,865	2,449,230
Total Assets	8,610,306	2,588,088	11,198,394
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources, pensions and OPEB	1,305,637	150,885	1,456,522
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	9,915,943	2,738,973	12,654,916
Liabilities			
Current liabilities:			
Accounts payable	20,992	176,751	197,743
Accrued liabilities	59,736	39,546	99,282
Customer deposits	-	74,000	74,000
Deferred revenues	537,553	-	537,553
Due within one year	57,785	27,061	84,846
Noncurrent liabilities:			
Compensated absences	140,995	35,283	176,278
Due in more than one year	460,769	339,672	800,441
Net pension and OPEB liability	4,787,042	553,213	5,340,255
Total Liabilities	6,064,872	1,245,526	7,310,398
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources, pensions and OPEB	1,138,284	131,545	1,269,829
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	7,203,156	1,377,071	8,580,227
Net Position			
Net investment in capital assets	1,019,311	662,132	1,681,443
Restricted for Municipal Road Aid	165,062	-	165,062
Unrestricted	1,528,414	699,770	2,228,184
Total Net Position	\$ 2,712,787	\$ 1,361,902	\$ 4,074,689

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, 2022

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,730,325	\$ 135	\$ 6,526	\$ 2,183	\$ (2,721,481)	\$ -	\$ (2,721,481)
Information systems	76,693	-	-	-	(76,693)	-	(76,693)
Police	26,621	-	20,949	-	(5,672)	-	(5,672)
Fire	124,703	21,418	37,277	38,794	(27,214)	-	(27,214)
EMS	187,061	1,864,034	-	18,294	1,695,267	-	1,695,267
Public works	286,088	-	44,801	184,838	(56,449)	-	(56,449)
Code enforcement	-	-	-	-	-	-	-
Recreation	21,377	-	-	-	(21,377)	-	(21,377)
Unallocated pension/OPEB	139,198	-	-	-	(139,198)	-	(139,198)
Unallocated depreciation	201,846	-	-	-	(201,846)	-	(201,846)
Interest on long-term debt	6,802	-	-	-	(6,802)	-	(6,802)
Total governmental activities	3,800,714	1,885,587	109,553	244,109	(1,561,465)	-	(1,561,465)
Business-type activities:							
Water & sewer	1,754,235	1,929,313	-	-	-	175,078	175,078
Total Business-type activities	1,754,235	1,929,313	-	-	-	175,078	175,078
Total primary government	\$ 5,554,949	\$ 3,814,900	\$ 109,553	\$ 244,109	(1,561,465)	175,078	(1,386,387)
			General revenues:				
			Taxes:				
			Property taxes		536,932	-	536,932
			Other taxes		296,229	-	296,229
			Licenses:				
			Payroll		1,419,323	-	1,419,323
			Insurance Premium		399,680	-	399,680
			Other licenses, fees & permits		153,824	-	153,824
			Miscellaneous		53,305	130	53,435
			Interest		19,961	3,735	23,696
			Total general revenues/transfers		2,879,254	3,865	2,883,119
			Change in net position		1,317,789	178,943	1,496,732
			Net position - beginning		1,394,998	1,297,048	2,692,046
			Prior period adjustment		-	(114,089)	(114,089)
			Net position - ending		\$ 2,712,787	\$ 1,361,902	\$ 4,074,689

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

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,014,981	\$ 161,447	\$ 6,176,428
Taxes Receivable	491,538	-	491,538
Miscellaneous Receivable	-	3,615	3,615
Total Assets	6,506,519	165,062	6,671,581
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	20,992	-	20,992
Accrued liabilities	59,736	-	59,736
Deferred revenue	537,553	-	537,553
Total liabilities	618,281	-	618,281
Fund balances:			
Unassigned	5,888,238	-	5,888,238
Restricted	-	165,062	165,062
Total fund balances	5,888,238	165,062	6,053,300
Total Liabilities and Fund Balances	\$ 6,506,519	\$ 165,062	\$ 6,671,581

Reconciliation of Fund Balances to the Statement of Net Position

Total Fund Balance for Governmental Funds \$ 6,053,300

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.	1,537,865
Long-term notes receivable are not current resources in the funds.	400,860
Long-term liabilities, including compensated absences and net pension liability, are not payable from current resources are not reported in the funds.	
Compensated absences	(140,995)
Long-term debt	(518,554)
Net pension liability	(4,787,042)
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	1,305,637
Deferred inflow of resources	(1,138,284)
Net Position of Governmental Activities	\$ 2,712,787

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, 2022</p>

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 833,161	\$ -	\$ 833,161
Licenses and permits	2,007,500	-	2,007,500
Intergovernmental	308,861	44,801	353,662
Charges for services	1,885,587	-	1,885,587
Interest	19,514	447	19,961
Miscellaneous	53,305	-	53,305
Total Revenues	<u>5,107,928</u>	<u>45,248</u>	<u>5,153,176</u>
Expenditures			
General government	2,715,290	-	2,715,290
Information systems	76,693	-	76,693
Police	27,167	-	27,167
Fire	107,109	-	107,109
EMS	187,061	-	187,061
Public works	286,838	13,649	300,487
Parks and recreation	21,377	-	21,377
Code enforcement	-	-	-
Capital outlay	86,682	-	86,682
Debt service - Principal	56,515	-	56,515
Debt service - Interest	6,802	-	6,802
Total Expenditures	<u>3,571,534</u>	<u>13,649</u>	<u>3,585,183</u>
Excess of Revenues over Expenditures	<u>1,536,394</u>	<u>31,599</u>	<u>1,567,993</u>
Other Financing Sources (Uses)			
Proceeds from loans	334,480	-	334,480
Existing loan paid with new loan proceeds	(312,678)	-	(312,678)
Total Other Financing Sources	<u>21,802</u>	<u>-</u>	<u>21,802</u>
Net change in fund balances	1,558,196	31,599	1,589,795
Fund balances - beginning	<u>4,330,042</u>	<u>133,463</u>	<u>4,463,505</u>
Fund balances - ending	<u>\$ 5,888,238</u>	<u>\$ 165,062</u>	<u>\$ 6,053,300</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, 2022</p>

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

Net change in fund balances - total governmental funds	\$ 1,589,795
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset purchases capitalized	86,682
Depreciation expense	(201,846)

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 Note receivable.

Decrease in TIF District note receivable	(34,673)
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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	369,193
Proceeds from loans	(334,480)

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	(139,198)
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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>(17,684)</u>

Change in net position of governmental activities

<u><u>\$ 1,317,789</u></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, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 1,368,654
Accounts receivable	190,569
Prepaid expenses	-
Total current assets	<u>1,559,223</u>

Noncurrent assets:

Capital assets:

Land	2,000
Building	74,561
Utility system	4,402,454
Equipment	567,772
Less accumulated depreciation	<u>(4,017,922)</u>

Total noncurrent assets	<u>1,028,865</u>
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Total Assets	<u>2,588,088</u>
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Deferred outflows	<u>150,885</u>
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Total Assets including Deferred Outflows	<u>2,738,973</u>
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Liabilities

Current liabilities:

Accounts payable	176,751
Accrued liabilities	39,546
Customer deposits	74,000
Bonds payable - current	<u>27,061</u>

Total current liabilities	<u>317,358</u>
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Noncurrent liabilities:

Compensated absences	35,283
Bonds payable	339,672
Net pension liability	<u>553,213</u>

Total noncurrent liabilities	<u>928,168</u>
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Total Liabilities	<u>1,245,526</u>
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Deferred inflows	<u>131,545</u>
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Total Liabilities including Deferred Inflows	<u>1,377,071</u>
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Net Position

Invested in capital assets, net of related debt	662,132
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Unrestricted	<u>699,770</u>
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Total Net Position	<u>\$ 1,361,902</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, 2022
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Operating revenues:	
Sewer service	\$ 1,114,335
Water service	725,021
Water station	1,305
Waste collection	71,560
Penalties	17,092
Miscellaneous	130
Total operating revenues	<u>1,929,443</u>
Operating expenses:	
Cost of sales and services	1,703,777
Depreciation	129,945
Total operating expenses	<u>1,833,722</u>
Operating income	<u>95,721</u>
Nonoperating revenues (expenses):	
Interest income	3,735
Interest expense	(16,374)
Net change in share of pension expense	95,861
Total nonoperating revenues (expenses)	<u>83,222</u>
Change in net position	178,943
Total net position - beginning	1,297,048
Prior period adjustment	<u>(114,089)</u>
Total net position - ending	<u><u>\$ 1,361,902</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, 2022
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Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,989,016
Payments to suppliers	(1,278,819)
Payments to employees	(316,843)
Net Change in Cash from Operating Activities	<u>393,354</u>
Cash Flows From Capital And Related Financing Activities	
Principal paid on capital debt	(25,857)
Interest paid on capital debt	(16,374)
Net Change in Cash from Capital And Related Financing Activities	<u>(42,231)</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	-
Interest income	3,735
Net Change in Cash from Investing Activities	<u>3,735</u>
Net Change in Cash	354,858
Cash - beginning of period	<u>1,013,796</u>
Cash - end of period	<u>\$ 1,368,654</u>
Reconciliation of Operating Income to Net Change in Cash from Operating Activities	
Operating income	\$ 95,721
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	129,945
(Increase) decrease in accounts receivable	100,038
Increase (decrease) in accounts payable	70,065
Increase (decrease) in accrued liabilities	29,103
Increase (decrease) in compensated absences	8,947
Increase (decrease) in customer deposits	(40,465)
Total adjustments	<u>297,633</u>
Net Change in Cash from Operating Activities	<u>\$ 393,354</u>

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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, 2022
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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,

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2022.

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 plus 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, 2022 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 2021 was based was \$191,092,720 for real property and \$30,051,355 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, 2022.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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.

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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 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, 2022.

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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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, 2022, the City had cash and cash equivalents of \$7,545,082. All cash balances that were 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

In 2018, the City recorded a note receivable from the developer of the Ghana TIF District Project. This note is being used to repay the City for the total debt service amounts of the 2017, and subsequently the 2021, Forcht Bank Ghana Loans as described in Note K to the financial statements. The note consists of the original \$430,000 in draws, along with an initial interest of \$4,339 paid in the first 18 months by the City, for an original balance of \$434,339. This note is paid through the collection of Ghana TIF District property and payroll taxes annually. The TIF district property acts as collateral for this note. As of June 30, 2022 the note receivable is \$400,860.

NOTE E – 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.

NOTE F – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

The City received three payments under the American Rescue Plan Act totaling \$580,983. The City expended and recognized \$43,430 of the funding in the fiscal year ended June 30, 2022. The remaining \$537,553 has been deferred to future years, and will be recognized when expended, per grant requirements.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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NOTE G – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Retirements/ Reclassifications	Balance June 30, 2022
Governmental activities:				
Land	\$ 92,500	\$ 25,000	\$ -	\$ 117,500
Buildings	567,815	-	-	567,815
Improvements	440,746	-	-	440,746
Infrastructure	741,474	-	-	741,474
Vehicles	1,633,229	61,682	(69,462)	1,625,449
Equipment	2,194,667	-	-	2,194,667
Furniture & fixtures	162,325	-	-	162,325
Work in progress	58,196	-	-	58,196
Subtotal	<u>5,890,952</u>	<u>86,682</u>	<u>(69,462)</u>	<u>5,908,172</u>
Accumulated depreciation:				
Buildings	(485,938)	(3,336)	-	(489,274)
Improvements	(266,068)	(12,264)	-	(278,332)
Infrastructure	(160,193)	(17,221)	-	(177,414)
Vehicles	(1,450,824)	(81,896)	69,462	(1,463,258)
Equipment	(1,712,574)	(87,129)	-	(1,799,703)
Furniture & fixtures	(162,326)	-	-	(162,326)
Subtotal	<u>(4,237,923)</u>	<u>(201,846)</u>	<u>69,462</u>	<u>(4,370,307)</u>
Net capital assets	<u>\$ 1,653,029</u>	<u>\$ (115,164)</u>	<u>\$ -</u>	<u>\$ 1,537,865</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ -
Police	34,089
Fire	106,643
Public works	50,305
Recreation	10,809
Total governmental activities depreciation expense	<u>\$ 201,846</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

	Balance June 30, 2021	Additions	Retirements/ Deletions	Balance June 30, 2022
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	567,772	-	-	567,772
Subtotal	<u>5,044,787</u>	<u>-</u>	<u>-</u>	<u>5,044,787</u>
Accumulated depreciation:				
Buildings	(27,475)	(1,864)	-	(29,339)
Utility system	(3,392,417)	(90,785)	-	(3,483,202)
Equipment	(468,084)	(37,296)	-	(505,380)
Subtotal	<u>(3,887,976)</u>	<u>(129,945)</u>	<u>-</u>	<u>(4,017,921)</u>
Net capital assets	<u>\$ 1,158,811</u>	<u>\$ (129,945)</u>	<u>\$ -</u>	<u>\$ 1,028,866</u>

NOTE H – LONG-TERM DEBT

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

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022	Current Portion
Governmental activities -					
Forcht Bank 2017 Ghana Loan	\$ 312,678	\$ -	\$ (312,678)	\$ -	\$ -
Forcht Bank 2021 Ghana Loan	-	334,480	(8,500)	325,980	8,500
Forcht Bank Lease-Ambulance	219,307	-	(43,132)	176,175	44,261
Forcht Bank Lease-Race Street	21,282	-	(4,883)	16,399	5,024
Total governmental activities	<u>\$ 553,267</u>	<u>\$ 334,480</u>	<u>\$ (369,193)</u>	<u>\$ 518,554</u>	<u>\$ 57,785</u>
Business-type activities -					
2003 USDA Rural Dev	\$ 162,200	\$ -	\$ (4,300)	\$ 157,900	\$ 4,500
Heritage Bank Lease	230,391	-	(21,558)	208,833	22,561
Total business-type activities	<u>\$ 392,591</u>	<u>\$ -</u>	<u>\$ (25,858)</u>	<u>\$ 366,733</u>	<u>\$ 27,061</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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Forcht Bank – 2017 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 the Wall Street Journal Prime Rate Index less 1.4%. The developer for the Ghana project continues have a promissory note to the City to pay the City an amount equal to the outstanding balance, principal and interest, due on the loan less all associated property tax and payroll tax payments made on TIF property during the life of the TIF district. This loan was refinanced in November 2021 by the Forcht Bank – 2021 Ghana Loan (See Below) and the balance of \$312,678 was paid in full from the proceeds of the new loan.

Forcht Bank – 2021 Ghana Loan – (Governmental Activities)

On November 16, 2021, the City signed a promissory note for \$334,480 to re-finance the Forcht Bank – 2017 Ghana Loan noted above. The Note is secured by the real property included in the Ghana TIF project and requires monthly interest payments and an annual principal payment. The note carries an annual interest rate of 2.75%. The developer for the Ghana project continues have a promissory note to the City to pay the City an amount equal to the outstanding balance, principal and interest, due on the loan less all associated property tax and payroll tax payments made on TIF property during the life of the TIF district.

The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 8,500	\$ 8,828	\$ 17,328
2024	8,500	8,594	17,094
2025	8,500	8,361	16,861
2026	8,500	8,127	16,627
2027	291,980	3,346	295,326
Total	<u>\$ 325,980</u>	<u>\$ 37,256</u>	<u>\$ 363,236</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. Final payment will be August 14, 2025. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 5,024	\$ 392	\$ 5,416
2024	5,164	252	5,416
2025	5,310	106	5,416
2026	901	2	903
Total	<u>\$ 16,399</u>	<u>\$ 752</u>	<u>\$ 17,151</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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
2023	\$ 44,261	4,117	48,378
2024	45,444	2,934	48,378
2025	46,658	1,720	48,378
2026	39,812	482	40,315
Total	<u>\$ 176,175</u>	<u>\$ 9,253</u>	<u>\$ 185,449</u>

Heritage Bank Lease – (Business-type Activities)

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	25,149	2,788	27,937
2028-2031	89,656	3,468	93,124
Total	<u>\$ 208,833</u>	<u>\$ 23,976</u>	<u>\$ 232,809</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 1st and July 1st each year and principal is due in annual installments on January 1st through 2043. Revenues from the water and sewer system are pledged for collateral.

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	5,400	6,178	11,578
2028-2032	31,500	27,014	58,514
2033-2037	39,700	19,293	58,993
2038-2042	50,600	9,522	60,122
2043	11,400	508	11,908
Totals	<u>\$ 157,900</u>	<u>\$ 89,431</u>	<u>\$ 247,331</u>

NOTE I – 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 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, 2021:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,250	80,745	10,452	9,340
Inactive Plan Members	95,692	29,208	3,590	877
Retired Members	65,414	37,037	9,419	7,366
	<u>242,356</u>	<u>146,990</u>	<u>23,461</u>	<u>17,583</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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 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 contributions by the employee are based on the tier:

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

Hazardous Pension Plan Description

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

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022</p>

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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

Contributions

For non-hazardous duty employees, the City contributed 26.95% of covered-employee's compensation, of which 21.17% was for the pension fund and 5.78% was for the health insurance fund.

For hazardous duty employees, the City contributed 44.33% of covered-employee's compensation, of which 33.86% was for the pension fund and 10.47% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$79,159, of which \$62,182 was for the pension fund and \$16,977 was for the health insurance fund.

The City made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$483,975, of which \$369,668 was for the pension fund and \$114,307 was for the health insurance fund.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability of \$4,098,065 (\$706,501 for the non-hazardous plan and \$3,391,564 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.0111% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.1274% of the total CERS hazardous duty employees. For the year ended June 30, 2022, the City recognized pension expense of \$35,565 in addition to its \$431,850 pension contribution.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 8,113	\$ (6,857)	\$ 93,528	\$ -	\$ 101,641	\$ (6,857)
Net difference between projected actual earnings on plan investments	-	(94,164)	-	(364,091)	-	(458,255)
Changes of assump.	9,482	-	42,360	-	51,842	-
Changes in proportion, differences between contributions and proportionate share of contributions	-	(54,635)	252,893	(226,363)	252,893	(280,998)
Contributions subsequent to the measurement date	62,182	-	369,668	-	431,850	-
	<u>\$ 79,777</u>	<u>\$ (155,656)</u>	<u>\$ 758,449</u>	<u>\$ (590,454)</u>	<u>\$ 838,226</u>	<u>\$ (746,110)</u>

The City's contributions subsequent to the measurement date of \$431,850 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Measurement Year Ending June 30,	Net Deferral
2022	\$ (4,763)
2023	(54,282)
2024	(114,939)
2025	(165,751)
2026	-
Thereafter	-
	<u>\$ (339,735)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

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 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension Plans which covers a longer

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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, 2020.

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 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 benefit payments to determine the total pension 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	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the 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	\$ 906,121	\$ 706,501	\$ 541,320
Hazardous	4,323,019	3,391,564	2,632,432
Total	\$ 5,229,140	\$ 4,098,065	\$ 3,173,752

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

	Required Contribution
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, 2022</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:

	Required Contribution
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 KPPA Trustees.

For non-hazardous employees, the City contributed 5.78% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 10.47% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount \$16,977.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$114,307.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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These contributions are 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. For the year ended June 30, 2022, the City recognized OPEB expense of \$7,771 in addition to its \$131,284 OPEB contribution.

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

At June 30, 2022, the City reported a liability of \$1,242,190 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.0111% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.1274% of the total CERS hazardous duty employees.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 33,353	\$ (63,327)	\$ 32,189	\$ (110,821)	\$ 65,542	\$ (174,148)
Net difference between projected actual earnings on plan investments	-	(33,181)	-	(193,886)	-	(227,067)
Changes of assump.	56,232	(197)	258,323	(385)	314,555	(582)
Changes in proportion, differences between contributions and proportionate share of contributions	-	(44,327)	106,915	(77,595)	106,915	(121,922)
Contributions subsequent to the measurement date	16,977	-	114,307	-	131,284	-
	<u>\$ 106,562</u>	<u>\$ (141,032)</u>	<u>\$ 511,734</u>	<u>\$ (382,687)</u>	<u>\$ 618,296</u>	<u>\$ (523,719)</u>

The City's contributions subsequent to the measurement date of \$131,284 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Measurement Year Ending June 30,	Net Deferral
2022	\$ (3,951)
2023	5,259
2024	(10,136)
2025	(35,594)
2026	7,715
Thereafter	-
	<u>\$ (36,707)</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB Plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 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 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

CITY OF DRY RIDGE, KENTUCKY
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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 5.34% to 5.20% for the non-hazardous Plan and from 5.30% to 5.05% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous Plan and 5.05% 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	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the 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 5.20% for the non-hazardous Plan and 5.05% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	\$ 291,214	\$ 212,102	\$ 147,177
Discount Rate, Hazardous	4.05%	5.05%	6.05%
Net OPEB liability, Haz	\$ 1,493,433	\$ 1,030,088	\$ 657,818
Total	\$ 1,784,647	\$ 1,242,190	\$ 804,995

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 152,688	\$ 212,102	\$ 283,815
Net OPEB liability, hazardous	674,970	1,030,088	1,465,024
Total	\$ 827,658	\$ 1,242,190	\$ 1,748,839

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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE J – CONTINGENT LIABILITIES

The City is from time to time a defendant in various lawsuits. As of June 30, 2022, the City is a defendant in one lawsuit. The suit is a dispute involving a property owner that is near settlement. In the opinion of the City's Attorney, the resolution of these matters may incur a settlement of \$45,000 over three years; which will not have a material or adverse effect on the financial condition of the government.

NOTE K – 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 company 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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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The City's attorney estimates that the amount of actual potential claims against the City as of June 30, 2022, 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 five fiscal years.

NOTE L – 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 signed an unsecured note receivable, as described in Note D originally in the amount of \$434,339 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 M – PRIOR PERIOD ADJUSTMENT

The City has reduced the fund balance on the prior year's Water and Sewer Fund by \$114,089. This adjustment is the net error from several years of bookkeeping mismatches in the utility fund which were corrected with the implementation of new utility fund software in fiscal year 2022.

NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

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

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

NOTE O – FUTURE ACCOUNTING STANDARDS

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

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

NOTE P – SUBSEQUENT EVENTS

The City's management has evaluated and considered the need to recognize or disclose subsequent events through January 25, 2023, 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, 2022, 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, 2022

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 2,879,576	\$ -	\$ 2,879,576	\$ 4,330,042	\$ 1,450,466
Resources (inflows)					
Taxes	599,600	-	599,600	833,161	233,561
Licenses and permits	1,387,500	-	1,387,500	2,007,500	620,000
Intergovernmental	255,326	-	255,326	265,431	10,105
Charges for service	1,696,200	-	1,696,200	1,885,587	189,387
Interest	9,000	-	9,000	19,514	10,514
Other income	133,627	-	133,627	53,305	(80,322)
ARPA funds	220,000	-	220,000	43,430	(176,570)
Proceeds from loan	-	-	-	21,802	21,802
Amount available for appropriation	7,180,829	-	7,180,829	9,459,772	2,278,943
Charges to appropriations (outflows):					
General government	3,031,847	-	3,031,847	2,696,860	334,987
Information systems	152,662	-	152,662	76,693	75,969
Police	21,500	-	21,500	27,167	(5,667)
Fire	80,789	-	80,789	107,109	(26,320)
EMS	141,856	-	141,856	187,061	(45,205)
Public works	412,850	-	412,850	348,520	64,330
Parks and recreation	69,500	-	69,500	21,377	48,123
Code enforcement	1,000	-	1,000	-	1,000
ARPA projects	220,000	-	220,000	43,430	176,570
Debt service	110,013	-	110,013	63,317	46,696
Total charges to appropriation	4,242,017	-	4,242,017	3,571,534	670,483
Budgetary fund balance, June 30	\$ 2,938,812	\$ -	\$ 2,938,812	\$ 5,888,238	\$ 2,949,426

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.011080%	0.011300%	0.012780%	0.014830%	0.015540%	0.014480%	0.013400%	0.013110%		
Proportionate share of the net pension liability (asset)	\$ 706,501	\$ 866,317	\$ 899,034	\$ 903,375	\$ 909,604	\$ 713,052	\$ 576,130	\$ 425,329		
Covered payroll in year of measurement	\$ 283,042	\$ 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	249.61%	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	57.33%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 62,182	\$ 54,627	\$ 42,414	\$ 45,249	\$ 53,205	\$ 53,623	\$ 40,479	\$ 37,758	\$ 41,397	
Actual contribution	62,182	54,627	42,414	45,249	53,205	53,623	40,479	37,758	41,397	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 293,727	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141	\$ 301,288	
Contributions as a percentage of covered payroll	21.17%	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, 2022

The net pension liability as of June 30, 2022, is based on the June 30, 2021, 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 I 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.127399%	0.138451%	0.122872%	0.105350%	0.107487%	0.106370%	0.096850%	0.093178%		
Proportionate share of the net pension liability (asset)	\$ 3,391,564	\$ 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	\$ 761,788	\$ 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	445.21%	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	52.26%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 369,668	\$ 228,993	\$ 252,157	\$ 180,586	\$ 130,272	\$ 128,393	\$ 113,537	\$ 106,194	\$ 101,695	
Actual contribution	369,668	228,993	252,157	180,586	130,272	128,393	113,537	106,194	101,695	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719	\$ 467,134	
Contributions as a percentage of covered payroll	33.86%	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, 2022

The net pension liability as of June 30, 2022, is based on the June 30, 2021, 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 I 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.011080%	0.011300%	0.012780%	0.014830%	0.015540%					
Proportionate share of the net OPEB liability (asset)	\$ 212,102	\$ 272,677	\$ 214,954	\$ 263,339	\$ 312,407					
Covered payroll in year of measurement	\$ 283,042	\$ 236,386	\$ 278,969	\$ 367,435	\$ 384,394					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.94%	115.35%	77.05%	71.67%	81.27%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 16,977	\$ 13,473	\$ 10,461	\$ 14,674	\$ 17,269	\$ 18,182				
Actual contribution	16,977	13,473	10,461	14,674	17,269	18,182				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 293,727	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$384,394				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%				

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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 I 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.127398%	0.138407%	0.122848%	0.105356%	0.107487%					
Proportionate share of the net OPEB liability (asset)	\$ 1,030,088	\$ 1,279,027	\$ 908,903	\$ 751,146	\$ 888,564					
Covered payroll in year of measurement	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	135.22%	152.47%	125.12%	128.00%	150.25%					
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	58.84%	64.44%	64.24%	59.00%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 114,307	\$ 72,522	\$ 79,858	\$ 76,055	\$ 54,867	\$ 55,296				
Actual contribution	114,307	72,522	79,858	76,055	54,867	55,296				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400				
Contributions as a percentage of covered payroll	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%				

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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 I in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 99,809	\$ -	\$ 99,809	\$ 133,463	\$ 33,654
Resources (inflows)					
Intergovernmental	35,000	-	35,000	44,801	9,801
Interest	325	-	325	447	122
Amount available for appropriation	<u>135,134</u>	<u>-</u>	<u>135,134</u>	<u>178,711</u>	<u>43,577</u>
Charges to appropriations (outflows):					
Public works	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>13,649</u>	<u>21,351</u>
Total charges to appropriation	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>13,649</u>	<u>21,351</u>
Budgetary fund balance, June 30	<u>\$ 100,134</u>	<u>\$ -</u>	<u>\$ 100,134</u>	<u>\$ 165,062</u>	<u>\$ 64,928</u>

**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, 2022 and the related notes to the financial statements which collectively comprise the City of Dry Ridge, Kentucky's financial statements, and have issued our report thereon dated January 25, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dry Ridge, Kentucky's financial statements are free 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

January 25, 2023