

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2025

CITY OF DRY RIDGE, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2025

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
City Officials.....	1
FINANCIAL SECTION	
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-9
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position.....	10
Statement of Activities.....	11
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position - Proprietary Fund.....	15
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Notes to Financial Statements	18-43
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	44
Multiple employer, Cost Sharing, Defined Benefit Pension Plan - Non-Hazardous.....	45
Multiple employer, Cost Sharing, Defined Benefit Pension Plan - Hazardous.....	46
Multiple employer, Cost Sharing, Defined Benefit OPEB Plan - Non-Hazardous.....	47
Multiple employer, Cost Sharing, Defined Benefit OPEB Plan - Hazardous.....	48
Supplementary Information	
Budgetary Comparison Schedule - Municipal Road Aid Fund.....	49
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	50-51

CITY OF DRY RIDGE, KENTUCKY

CITY OFFICIALS

June 30, 2025

Mayor

Greg Brockman

Council Members

Eric Brockman

Kenneth Edmondson

James Hendy

Jeffrey Becker

William Webb

Jessica Vincent

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, 2025, 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, 2025, 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 19, 2026, 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 19, 2026

City of Dry Ridge, Kentucky 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, 2025, 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 formats are useful to understand 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, 2025, net position changed as follows:

	2025	2024
Beginning net position	\$ 7,248,643	\$ 5,857,110
Change in net position	1,208,057	1,391,533
Ending net position	<u>\$ 8,456,700</u>	<u>\$ 7,248,643</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		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Current assets	\$ 10,552,036	\$ 9,268,563	\$ 2,505,794	\$ 2,617,962	\$ 13,057,830	\$ 11,886,525
Capital assets	1,897,755	1,694,832	897,456	942,715	2,795,211	2,637,547
Deferred outflows	2,238,624	2,640,519	135,409	186,872	2,374,033	2,827,391
Total Assets	14,688,415	13,603,914	3,538,659	3,747,549	18,227,074	17,351,463
Current liabilities	643,973	214,860	247,055	630,553	891,028	845,413
Long-term liabilities	6,098,591	6,192,220	622,836	725,699	6,721,427	6,917,919
Deferred inflows	2,034,837	2,184,863	123,082	154,625	2,157,919	2,339,488
Total Liabilities	8,777,401	8,591,943	992,973	1,510,877	9,770,374	10,102,820
Net Position:						
Net investment in capital assets	1,314,229	1,293,159	611,134	629,533	1,925,363	1,922,692
Restricted	264,183	249,695	-	-	264,183	249,695
Unrestricted	4,332,602	3,469,117	1,934,552	1,607,139	6,267,154	5,076,256
Total Net Position	\$ 5,911,014	\$ 5,011,971	\$ 2,545,686	\$ 2,236,672	\$ 8,456,700	\$ 7,248,643

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			
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 2,512,761	\$ 2,227,851	\$ 2,283,008	\$ 2,334,214	\$ 4,795,769	\$ 4,562,065
Operating grants	170,400	174,710	-	-	170,400	174,710
Capital grants	-	-	-	91,422	-	91,422
General Revenues:						
Property taxes	747,157	662,226	-	-	747,157	662,226
Other taxes	184,936	186,984	-	-	184,936	186,984
Licenses & permits	2,033,909	1,974,395	-	-	2,033,909	1,974,395
Interest	294,469	173,253	78,185	45,261	372,654	218,514
Miscellaneous	21,142	143,812	72,569	225,561	93,711	369,373
Total Revenues	5,964,774	5,543,231	2,433,762	2,696,458	8,398,536	8,239,689
Expenses:						
General government	3,716,390	3,381,390	-	-	3,716,390	3,381,390
IT	138,259	172,622	-	-	138,259	172,622
Police	40,265	4,706	-	-	40,265	4,706
Fire	133,775	100,692	-	-	133,775	100,692
EMS	335,859	244,727	-	-	335,859	244,727
Public works	375,436	147,968	-	-	375,436	147,968
Code enforcement	26,896	26,896	-	-	26,896	26,896
Recreation	128,252	138,726	-	-	128,252	138,726
Unalloc. Pension	(12,490)	140,173	-	-	(12,490)	-
Unalloc.depreciation	178,437	180,661	-	-	178,437	-
Water & Sewer	-	-	2,124,748	2,304,942	2,124,748	2,304,942
Interest expense	4,652	4,653	-	-	4,652	4,653
Total Expenses	5,065,731	4,543,214	2,124,748	2,304,942	7,190,479	6,527,322
Change in						
Net Position	899,043	1,000,017	309,014	391,516	1,208,057	1,391,533
Beginning Net Position	5,011,971	4,011,954	2,236,672	1,845,156	7,248,643	5,857,110
Ending Net Position	\$ 5,911,014	\$ 5,011,971	\$ 2,545,686	\$ 2,236,672	\$ 8,456,700	\$ 7,248,643

Payroll taxes and insurance premium taxes are the primary source of income to the City and increased \$60,579 or 3%. This increase may be the result in timing of payments, since these accounts decreased 8% in the prior fiscal year. Property tax increased \$84,931 or 13% due to an significant increase property valuations again in 2025, this follows a 17% increase in the prior 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 fiscal year 2022. Overall governmental expenditures (not including Unallocated Pension and Depreciation) increased by \$677,404 or 16% for the fiscal year, following a 7% increase in the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Land	\$ 374,500	\$ 374,500	\$ 2,000	\$ 2,000
Work in progress	297,328	-	-	-
Buildings	562,315	562,315	176,530	74,561
Utility system	-	-	4,300,485	4,402,454
Infrastructure	741,474	741,474	-	-
Improvements	571,510	571,510	-	-
Vehicles	1,752,093	1,682,055	-	-
Equipment	1,515,916	1,501,922	853,937	756,351
Furniture & fixtures	129,652	129,652	-	-
Totals	\$ 5,944,788	\$ 5,563,428	\$ 5,332,952	\$ 5,235,366

This year's net increase of \$381,360 in Governmental capital assets and increase of \$97,586 in Business-type assets includes the following:

	Governmental Activities	Business-type Activities
Vehicles, net of deletions	70,038	-
Equipment, net of deletions	13,994	97,586
Work in progress	297,328	-
	\$ 381,360	\$ 97,586

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

Long-term Debt

At June 30, 2025, the City had \$869,848 in outstanding debt. The following is a summary of the City's debt transactions during the year ended June 30, 2025:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Notes payable	\$ 583,526	\$ 401,673	\$ 142,522	\$ 164,482	\$ 726,048	\$ 566,155
Bonds payable	-	-	143,800	148,700	143,800	148,700
Totals	\$ 583,526	\$ 401,673	\$ 286,322	\$ 313,182	\$ 869,848	\$ 714,855

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

BUDGET ANALYSIS

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years.

In the City's General Fund, actual revenues of \$5,930,265 were below budgeted revenues of \$5,923,294 by \$6,971. Actual expenditures of \$5,279,047 were below budget expenditures of \$5,601,656 by \$322,609.

Expenditures for general government were significantly below budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2026 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, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,401,934	\$ 2,217,876	\$ 11,619,810
Receivables:			
Property taxes	508,485	-	508,485
Accounts	-	287,918	287,918
Opioid	300,831	-	300,831
Due from Business-Type Activities	-	-	-
Note receivable	340,786	-	340,786
Capital assets:			
Capital assets not being depreciated	671,828	2,000	673,828
Other capital assets, net	1,225,927	895,456	2,121,383
Total Assets	12,449,791	3,403,250	15,853,041
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources, pensions and OPEB	2,238,624	135,409	2,374,033
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	14,688,415	3,538,659	18,227,074
Liabilities			
Current liabilities:			
Accounts payable	116,289	105,253	221,542
Accrued liabilities	258	8,977	9,235
Due to Governmental Activities	-	-	-
Customer deposits	-	103,804	103,804
Deferred revenues	433,576	-	433,576
Due within one year	93,850	29,021	122,871
Noncurrent liabilities:			
Compensated absences	157,578	35,798	193,376
Due in more than one year	489,676	257,301	746,977
Net pension and OPEB liability	5,451,337	329,737	5,781,074
Total Liabilities	6,742,564	869,891	7,612,455
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources, pensions and OPEB	2,034,837	123,082	2,157,919
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	8,777,401	992,973	9,770,374
Net Position			
Net investment in capital assets	1,314,229	611,134	1,925,363
Restricted for Municipal Road Aid	264,183	-	264,183
Unrestricted	4,332,602	1,934,552	6,267,154
Total Net Position	\$ 5,911,014	\$ 2,545,686	\$ 8,456,700

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, 2025

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	\$ 3,716,390	\$ -	\$ 7,316	\$ -	\$ (3,709,074)	\$ -	\$ (3,709,074)
Information systems	138,259	-	-	-	(138,259)	-	(138,259)
Police	40,265	-	-	-	(40,265)	-	(40,265)
Fire	133,775	316,233	106,608	-	289,066	-	289,066
EMS	335,859	2,196,528	10,000	-	1,870,669	-	1,870,669
Public works	375,436	-	46,476	-	(328,960)	-	(328,960)
Code enforcement	26,896	-	-	-	(26,896)	-	(26,896)
Recreation	128,252	-	-	-	(128,252)	-	(128,252)
Unallocated pension/OPEB	(12,490)	-	-	-	12,490	-	12,490
Unallocated depreciation	178,437	-	-	-	(178,437)	-	(178,437)
Interest on long-term debt	4,652	-	-	-	(4,652)	-	(4,652)
Total governmental activities	5,065,731	2,512,761	170,400	-	(2,382,570)	-	(2,382,570)
Business-type activities:							
Water & sewer	2,124,748	2,283,008	-	-	-	158,260	158,260
Total Business-type activities	2,124,748	2,283,008	-	-	-	158,260	158,260
Total primary government	\$ 7,190,479	\$ 4,795,769	\$ 170,400	\$ -	(2,382,570)	158,260	(2,224,310)
			General revenues:				
			Taxes:				
			Property taxes		747,157	-	747,157
			Other taxes		184,936	-	184,936
			Licenses:				
			Payroll		1,426,153	-	1,426,153
			Insurance Premium		540,407	-	540,407
			Other licenses, fees & permits		67,349	-	67,349
			Miscellaneous		21,142	72,569	93,711
			Interest		294,469	78,185	372,654
			Total general revenues/transfers		3,281,613	150,754	3,432,367
			Change in net position		899,043	309,014	1,208,057
			Net position - beginning		5,011,971	2,236,672	7,248,643
			Prior period adjustment		-	-	-
			Net position - ending		\$ 5,911,014	\$ 2,545,686	\$ 8,456,700

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

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 9,137,751	\$ 264,183	\$ 9,401,934
Taxes Receivable	508,485	-	508,485
Opioid Receivable	300,831	-	300,831
Due from Utility Fund	-	-	-
Total Assets	<u>9,947,067</u>	<u>264,183</u>	<u>10,211,250</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	116,289	-	116,289
Accrued liabilities	258	-	258
Deferred revenue	433,576	-	433,576
Total liabilities	<u>550,123</u>	<u>-</u>	<u>550,123</u>
Fund balances:			
Unassigned	9,396,944	-	9,396,944
Restricted	-	264,183	264,183
Total fund balances	<u>9,396,944</u>	<u>264,183</u>	<u>9,661,127</u>
Total Liabilities and Fund Balances	<u>\$ 9,947,067</u>	<u>\$ 264,183</u>	<u>\$ 10,211,250</u>

Reconciliation of Fund Balances to the Statement of Net Position

Total Fund Balance for Governmental Funds \$ 9,661,127

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.	1,897,755
Long-term notes receivable are not current resources in the funds.	340,786
Long-term liabilities, including compensated absences and net pension liability, are not payable from current resources are not reported in the funds.	
Compensated absences	(157,578)
Long-term debt	(583,526)
Net pension and OPEB liability	(5,451,337)
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	2,238,624
Deferred inflow of resources	<u>(2,034,837)</u>

Net Position of Governmental Activities

\$ 5,911,014

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2025

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 747,157	\$ -	\$ 747,157
Licenses and permits	2,054,211	-	2,054,211
Intergovernmental	123,924	46,476	170,400
Charges for services	2,512,761	-	2,512,761
Interest	286,134	8,335	294,469
ABC regulatory	184,936	-	184,936
Miscellaneous	21,142	-	21,142
Total Revenues	<u>5,930,265</u>	<u>54,811</u>	<u>5,985,076</u>
Expenditures			
General government	3,714,793	-	3,714,793
Information systems	138,259	-	138,259
Police	31,845	-	31,845
Fire	121,178	-	121,178
EMS	335,859	-	335,859
Public works	335,468	40,323	375,791
Parks and recreation	128,252	-	128,252
Code enforcement	26,896	-	26,896
Capital outlay	381,360	-	381,360
Debt service - Principal	60,485	-	60,485
Debt service - Interest	4,652	-	4,652
Total Expenditures	<u>5,279,047</u>	<u>40,323</u>	<u>5,319,370</u>
Excess of Revenues over Expenditures	<u>651,218</u>	<u>14,488</u>	<u>665,706</u>
Other Financing Sources (Uses)			
Proceeds from loans	242,338	-	242,338
Total Other Financing Sources	<u>242,338</u>	<u>-</u>	<u>242,338</u>
Net change in fund balances	893,556	14,488	908,044
Fund balances - beginning	<u>8,503,388</u>	<u>249,695</u>	<u>8,753,083</u>
Fund balances - ending	<u>\$ 9,396,944</u>	<u>\$ 264,183</u>	<u>\$ 9,661,127</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, 2025</p>

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

Net change in fund balances - total governmental funds	\$ 908,044
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital asset purchases capitalized	381,360
Depreciation expense	(178,437)
Change due to capital asset retirements	-
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	(20,302)
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	60,485
Proceeds from loans	(242,338)
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	12,490
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>(22,259)</u>
Change in net position of governmental activities	<u>\$ 899,043</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, 2025

Assets

Current assets:

Cash and cash equivalents	\$ 2,217,876
Accounts receivable	287,918
Prepaid expenses	-
Total current assets	<u>2,505,794</u>

Noncurrent assets:

Capital assets:	
Land	2,000
Building	176,530
Utility system	4,300,485
Equipment	853,937
Less accumulated depreciation	<u>(4,435,496)</u>
Total noncurrent assets	<u>897,456</u>

Total Assets

3,403,250

Deferred outflows

135,409

Total Assets including Deferred Outflows

3,538,659

Liabilities

Current liabilities:

Accounts payable	105,253
Accrued liabilities	8,977
Due to General Fund	-
Customer deposits	103,804
Bonds payable - current	<u>29,021</u>
Total current liabilities	<u>247,055</u>

Noncurrent liabilities:

Compensated absences	35,798
Bonds payable - long term	257,301
Net pension liability	<u>329,737</u>
Total noncurrent liabilities	<u>622,836</u>

Total Liabilities

869,891

Deferred inflows

123,082

Total Liabilities including Deferred Inflows

992,973

Net Position

Invested in capital assets, net of related debt	611,134
Unrestricted	<u>1,934,552</u>
Total Net Position	<u>\$ 2,545,686</u>

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

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended June 30, 2025

Operating revenues:	
Sewer service	\$ 1,333,693
Water service	822,360
Water station	2,284
Waste collection	99,611
Penalties	25,060
Miscellaneous	72,569
Total operating revenues	<u>2,355,577</u>
Operating expenses:	
Cost of sales and services	1,971,780
KIA infrastructure grant allocation	47,215
Depreciation	142,844
Total operating expenses	<u>2,161,839</u>
Operating income	<u>193,738</u>
Nonoperating revenues (expenses):	
Interest income	78,185
Interest expense	(17,757)
Net change in share of pension expense	54,848
Contributed capital	-
Total nonoperating revenues (expenses)	<u>115,276</u>
Change in net position	309,014
Total net position - beginning	2,236,672
Prior period adjustment	-
Total net position - ending	<u><u>\$ 2,545,686</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, 2025

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,364,489
Payments to suppliers	(2,068,883)
Payments to employees	(339,999)
Net Change in Cash from Operating Activities	<u>(44,393)</u>
Cash Flows From Capital And Related Financing Activities	
Principal paid on capital debt	(26,859)
Interest paid on capital debt	(17,757)
Net Change in Cash from Capital And Related Financing Activities	<u>(44,616)</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	(97,586)
Interest income	78,185
Net Change in Cash from Investing Activities	<u>(19,401)</u>
Net Change in Cash	(108,410)
Cash - beginning of period	<u>2,326,286</u>
Cash - end of period	<u><u>\$ 2,217,876</u></u>
Reconciliation of Operating Income to Net Change in Cash from Operating Activities	
Operating income	\$ 193,738
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	142,844
(Increase) decrease in accounts receivable	3,758
Increase (decrease) in accounts payable	(69,480)
Increase (decrease) in accrued liabilities	(539)
Increase (decrease) in due to other funds	(318,933)
Increase (decrease) in compensated absences	(935)
Increase (decrease) in customer deposits	5,154
Total adjustments	<u>(238,131)</u>
Net Change in Cash from Operating Activities	<u><u>\$ (44,393)</u></u>

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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

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, 2025

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 fund is 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 of 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, 2025

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 the 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.

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, 2025, were \$0.2320 per \$100 valuation for real property and \$0.1670 per \$100 valuation for personal property. The assessed value of property on which the levy for 2024 was based was \$224,389,076 for real property and \$39,476,674 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, 2025.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

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, 2025

In the government-wide financial statements and in the 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, 2025

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, 2025.

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, 2025

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, 2025, the City had cash and cash equivalents of \$11,619,810. 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, 2025 the note receivable is \$340,786.

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.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

NOTE F – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Retirements/ Reclassifications	Balance June 30, 2025
Governmental activities:				
Land	\$ 374,500	\$ -	\$ -	\$ 374,500
Buildings	562,315	-	-	562,315
Improvements	571,510	-	-	571,510
Infrastructure	741,474	-	-	741,474
Vehicles	1,682,055	70,038	-	1,752,093
Equipment	1,501,922	13,994	-	1,515,916
Furniture & fixtures	129,652	-	-	129,652
Work in progress	-	297,328	-	297,328
Subtotal	<u>5,563,428</u>	<u>381,360</u>	<u>-</u>	<u>5,944,788</u>
Accumulated depreciation:				
Buildings	(490,447)	(3,336)	-	(493,783)
Improvements	(313,467)	(27,844)	-	(341,311)
Infrastructure	(190,749)	(17,221)	-	(207,970)
Vehicles	(1,551,825)	(63,682)	-	(1,615,507)
Equipment	(1,192,457)	(66,354)	-	(1,258,811)
Furniture & fixtures	(129,651)	-	-	(129,651)
Subtotal	<u>(3,868,596)</u>	<u>(178,437)</u>	<u>-</u>	<u>(4,047,033)</u>
Net capital assets	<u>\$ 1,694,832</u>	<u>\$ 202,923</u>	<u>\$ -</u>	<u>\$ 1,897,755</u>

Depreciation expense was calculated in the following governmental functions, but is unallocated on the Statement of Activities:

Governmental activities:	Depreciation
General government	\$ -
Police	28,220
Fire	61,356
Public works	58,651
Recreation	30,210
Total governmental activities depreciation expense	<u>\$ 178,437</u>

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

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

	Balance June 30, 2024	Additions	Retirements/ Deletions	Balance June 30, 2025
Business-type activities:				
Not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Subtotal	2,000	-	-	2,000
Other capital assets:				
Buildings	176,530	-	-	176,530
Utility system	4,300,485	-	-	4,300,485
Equipment	756,351	97,586	-	853,937
Subtotal	5,233,366	97,586	-	5,330,952
Accumulated depreciation:				
Buildings	(33,067)	(4,130)	-	(37,197)
Utility system	(3,664,773)	(88,520)	-	(3,753,293)
Equipment	(594,811)	(50,195)	-	(645,006)
Subtotal	(4,292,651)	(142,845)	-	(4,435,496)
Net capital assets	\$ 942,715	\$ (45,259)	\$ -	\$ 897,456

NOTE G – LONG-TERM DEBT

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

	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Current Portion
Governmental activities -					
Forcht Bank 2021 Ghana Loan	\$ 308,980	\$ -	\$ (8,500)	\$ 300,480	\$ 8,500
Forcht Bank Lease-Ambulance	86,481	-	(46,674)	39,807	39,807
Forcht Bank Lease- '25 Ambulance	-	242,338	-	242,338	44,642
Forcht Bank Lease-Race Street	6,212	-	(5,311)	901	901
Total governmental activities	\$ 401,673	\$ 242,338	\$ (60,485)	\$ 583,526	\$ 93,850
Business-type activities -					
2003 USDA Rural Dev	\$ 148,700	\$ -	\$ (4,900)	\$ 143,800	\$ 5,200
Heritage Bank Lease	164,481	-	(21,959)	142,522	23,821
Total business-type activities	\$ 313,181	\$ -	\$ (26,859)	\$ 286,322	\$ 29,021

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:

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 8,500	\$ 8,127	\$ 16,627
2027	291,980	3,346	295,326
Total	<u>\$ 300,480</u>	<u>\$ 11,473</u>	<u>\$ 311,953</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
2026	\$ 901	\$ 2	\$ 903
Total	<u>\$ 901</u>	<u>\$ 2</u>	<u>\$ 903</u>

Forcht Bank Lease – (Governmental Activities)

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 39,807	\$ 482	\$ 40,289
Total	<u>\$ 39,807</u>	<u>\$ 482</u>	<u>\$ 40,289</u>

Forcht Bank Lease – (Governmental Activities)

On June 24, 2025, the City entered into a \$242,338 promissory agreement with Forcht Bank for the purchase of an ambulance, medical equipment. This lease is secured by the ambulances, carries an interest rate of 4.250% and requires monthly payments of \$4,497. Final payment will be June 30, 2030. The remaining debt service is as follows:

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 44,642	\$ 9,325	\$ 53,967
2027	46,554	7,414	53,968
2028	48,547	5,421	53,968
2029	50,625	3,342	53,967
2030	51,970	1,161	53,131
Total	<u>\$ 242,338</u>	<u>\$ 26,663</u>	<u>\$ 269,001</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%. Final payment will be October 2, 2030. The remaining debt service is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 24,475	\$ 10,087	\$ 34,562
2027	25,149	8,174	33,323
2028	25,834	6,199	32,033
2029	26,543	4,169	30,712
2030	27,283	2,083	29,366
2031	13,238	513	13,751
Total	<u>\$ 142,522</u>	<u>\$ 31,225</u>	<u>\$ 173,747</u>

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

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

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 5,200	\$ 6,410	\$ 11,610
2027	5,400	6,178	11,578
2028	5,700	5,938	11,638
2029	6,000	5,684	11,684
2030	6,300	5,416	11,716
2031-2035	36,200	22,596	58,796
2036-2040	45,900	13,716	59,616
2041-2043	33,100	2,987	36,087
Totals	<u>\$ 143,800</u>	<u>\$ 68,925</u>	<u>\$ 212,725</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEM

Plan description – City 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 Public Pension Authority, 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 Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority 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, 2023:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	78,810	78,418	9,205	9,156
Inactive Plan Members	111,086	27,097	4,287	835
Retired Members	70,932	38,679	11,603	8,176
	<u>260,828</u>	<u>144,194</u>	<u>25,095</u>	<u>18,167</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

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

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025</p>

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 health insurance benefits 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	5%
Tier 2	5%
Tier 3	5%

Hazardous Pension Plan Description

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

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

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025</p>

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 health insurance benefits 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:

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

Contributions

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is also set by state statute.

For non-hazardous duty employees, the City contributed 19.71% of covered-employee's compensation, of which 19.71% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 38.61% of covered-employee's compensation, of which 36.49% was for the pension fund and 2.12% 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 \$85,961, of which \$85,961 was for the pension fund and \$0 was for the health insurance fund.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

The City made all required contributions for the hazardous plan pension obligation for the fiscal year in the amount of \$642,192, of which \$606,930 was for the pension fund and \$35,262 was for the health insurance fund.

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

At June 30, 2025, the City reported a liability of \$5,578,641 (\$797,848 for the non-hazardous plan and \$4,780,793 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.01334% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.1859% of the total CERS hazardous duty employees. For the year ended June 30, 2025, the City recognized a pension expense of \$135,914 in addition to its \$692,892 pension contribution.

At June 30, 2025, 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	\$ 38,617	\$ -	\$ 310,643	\$ -	\$ 349,260	\$ -
Net difference between projected actual earnings on plan investments	-	(51,298)	-	(255,163)	-	(306,461)
Changes of assump.	-	(36,047)	-	(269,819)	-	(305,866)
Changes in proportion, differences between contributions and proportionate share of contributions	74,598	-	653,671	(103,817)	728,269	(103,817)
Contributions subsequent to the measurement date	85,961	-	606,930	-	692,891	-
	<u>\$ 199,176</u>	<u>\$ (87,345)</u>	<u>\$ 1,571,244</u>	<u>\$ (628,799)</u>	<u>\$ 1,770,420</u>	<u>\$ (716,144)</u>

The City's contributions subsequent to the measurement date of \$692,891 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

Measurement Year Ending June 30,	Net Deferral
2025	\$ 265,742
2026	234,146
2027	(72,275)
2028	(66,229)
2029	-
Thereafter	-
	\$ 361,384

Basis of Calculations

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

Assumptions

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Changes of Assumptions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

Discount Rate

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025</p>

assumptions and the projection of cash flows as of each fiscal year ended, the pension plan’s fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2025

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

Actuarial Valuation Date	June 30, 2022
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 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on 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.

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:

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit / high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
	Non-hazardous	\$ 1,028,557	\$ 797,848
Hazardous	6,154,771	4,780,793	3,659,015
Total	\$ 7,183,328	\$ 5,578,641	\$ 4,265,436

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025</p>

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

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

	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, 2025</p>

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

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

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

Contributions

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is set by state statute.

For non-hazardous employees, the City contributed 0.00% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 2.12% of covered employees' compensation for the health insurance fund.

The City was not required to contribute for the non-hazardous plan OPEB obligation for the fiscal year.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$35,262.

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

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, 2025, the City recognized an OPEB benefit of \$203,251 in addition to its \$35,262 OPEB contribution.

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

At June 30, 2025, the City reported a liability of \$202,433 (\$23,100 asset for the non-hazardous plan and \$225,533 liability for the hazardous plan) as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.0134% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.1859% 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	\$ 12,815	\$ (181,750)	\$ 61,073	\$ (825,502)	\$ 73,888	\$ (1,007,252)
Net difference between projected actual earnings on plan investments	-	(21,080)	-	(141,722)	-	(162,802)
Changes of assump.	20,931	(16,299)	152,977	(198,484)	173,908	(214,783)
Changes in proportion, differences between contributions and proportionate share of contributions	32,733	(6,223)	287,822	(50,715)	320,555	(56,938)
Contributions subsequent to the measurement date	-	-	35,262	-	35,262	-
	<u>\$ 66,479</u>	<u>\$ (225,352)</u>	<u>\$ 537,134</u>	<u>\$ (1,216,423)</u>	<u>\$ 603,613</u>	<u>\$ (1,441,775)</u>

The City's contributions subsequent to the measurement date of \$0 for non-hazardous duty employees and \$35,262 for hazardous duty employees, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

Measurement Year Ending June 30,	Net Deferral
2025	\$ (257,398)
2026	(189,380)
2027	(266,010)
2028	(171,479)
2029	10,843
Thereafter	-
	<u>\$ (873,424)</u>

Basis of Calculations

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles

Assumptions

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Change in Assumptions - Plan

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

<p>CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025</p>

Discount Rate

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets C1 and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Mortality	System-specific mortality table based on mortality experience 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 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

Changes of Assumptions - Contributions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 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.

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	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit /high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	<u>100.00%</u>	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		<u>7.19%</u>

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 5.99% for the Non-hazardous plan and the 6.02% 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, 2025

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.99%	5.99%	6.99%
Net OPEB liability, Non-Haz	\$ 31,233	\$ (23,100)	\$ (68,783)
Discount Rate, Hazardous	5.02%	6.02%	7.02%
Net OPEB liability, Haz	\$ 623,268	\$ 225,533	\$ (106,852)
Total	\$ 654,501	\$ 202,433	\$ (175,635)

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	\$ (55,575)	\$ (23,100)	\$ 14,732
Net OPEB liability, Hazardous	(34,962)	225,533	529,995
Total	\$ (90,537)	\$ 202,433	\$ 544,727

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 or online at www.kyret.ky.gov.

NOTE I – CONTINGENT LIABILITIES

The City is from time to time a defendant in various lawsuits. In the year ended June 30, 2025, the City settled a lawsuit involving a property owner. The resolution of this settlement requires the City to pay \$45,000, over the three years ending June 2024, 2025, and 2026; which will not have a material or adverse effect on the financial condition of the government. The City made its second payment in fiscal year 2025.

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City pays an annual premium to Kentucky League of Cities Insurance Services (KLCIS) for its general and liability insurance, and workers' compensation coverage. KLCIS is self-sustaining through member premiums and will reinsure through a commercial 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

CITY OF DRY RIDGE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2025

liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

The City's attorney estimates that the amount of actual potential claims against the City as of June 30, 2025, 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 K – TAX ABATEMENTS

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

Ghana Project

The local participation TIF district for the Ghana Project was created in 2018 and requires the City to pay for basic infrastructure such as water, sewer, sidewalks and streets to support the project which will contain at least 2 hotels and 2 out-lot restaurants. The City has secured bank financing for this project as described in Note G. The Developer 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 L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This implementation of this statement should have no direct material impact on the City.

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in FY 2026

NOTE N – SUBSEQUENT EVENTS

The City's management has evaluated and considered the need to recognize or disclose subsequent events through January 19, 2026, 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, 2025, 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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1.	\$ 4,539,283	\$ 4,539,283	\$ 8,503,388	\$ 3,964,105
Resources (inflows)				
Taxes	735,000	735,000	747,157	12,157
Licenses and permits	2,205,000	2,205,000	2,054,211	(150,789)
Intergovernmental	105,500	105,500	123,924	18,424
Charges for service	2,350,580	2,350,580	2,512,761	162,181
Interest	275,000	275,000	286,134	11,134
Other income	48,600	48,600	21,142	(27,458)
ABC regulatory	140,000	140,000	184,936	44,936
Opioid settlement	63,614	63,614	-	(63,614)
Amount available for appropriation	10,462,577	10,462,577	14,433,653	3,971,076
Charges to appropriations (outflows):				
General government	4,288,459	4,288,459	3,854,153	434,306
Information systems	172,560	172,560	138,259	34,301
Police	34,000	34,000	31,845	2,155
Fire	165,547	165,547	121,178	44,369
EMS	383,871	383,871	577,859	(193,988)
Public works	186,850	186,850	335,468	(148,618)
Parks and recreation	209,500	209,500	128,252	81,248
Code enforcement	26,600	26,600	26,896	(296)
Opioid settlement	63,614	63,614	-	63,614
Debt service	70,655	70,655	65,137	5,518
Total charges to appropriation	5,601,656	5,601,656	5,279,047	322,609
Proceeds from financed purchase	-	-	242,338	(242,338)
Budgetary fund balance, June 30	\$ 4,860,921	\$ 4,860,921	\$ 9,396,944	\$ 4,051,347

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.01334%	0.01236%	0.01063%	0.01108%	0.01130%	0.01278%	0.01483%	0.01554%	0.01448%	0.01340%
Proportionate share of the net pension liability (asset)	\$ 797,848	\$ 792,888	\$ 768,372	\$ 706,501	\$ 866,317	\$ 899,034	\$ 903,375	\$ 909,604	\$ 713,052	\$ 576,130
Covered payroll in year of measurement	\$ 418,842	\$ 358,683	\$ 293,727	\$ 283,042	\$ 236,386	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918	\$ 296,141
Share of the net pension liability (asset) as a percentage of its covered payroll	190.49%	221.06%	261.59%	249.61%	366.48%	322.27%	245.86%	236.63%	218.78%	194.55%
Plan fiduciary net position as a percentage of total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	59.97%	59.97%

Schedule of the City's Contributions

County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 85,961	\$ 97,758	\$ 83,932	\$ 62,182	\$ 54,627	\$ 42,414	\$ 45,249	\$ 53,205	\$ 53,623	\$ 40,479
Actual contribution	85,961	97,758	83,932	62,182	54,627	42,414	45,249	53,205	53,623	40,479
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 436,130	\$ 418,842	\$ 358,683	\$ 293,727	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394	\$ 325,918
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

Notes to Required Supplementary Information

For the Year Ended June 30, 2025

The net pension liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS
Last Ten Fiscal Years

Schedule of the City's Proportionate Share of the Net Pension Liability

County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.18588%	0.18867%	0.16788%	0.12740%	0.13845%	0.12287%	0.10535%	0.10749%	0.10637%	0.09685%
Proportionate share of the net pension liability (asset)	\$ 4,780,793	\$ 5,086,406	\$ 5,122,786	\$ 3,391,564	\$ 4,174,337	\$ 3,394,088	\$ 2,547,844	\$ 2,404,784	\$ 1,825,318	\$ 1,514,912
Covered payroll in year of measurement	\$ 1,402,874	\$ 1,323,621	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400	\$ 462,719
Share of the net pension liability (asset) as a percentage of its covered payroll	340.79%	384.28%	469.23%	445.21%	497.63%	467.24%	434.18%	406.63%	325.72%	327.39%
Plan fiduciary net position as a percentage of total pension liability	57.05%	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%

Schedule of the City's Contributions

County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 606,930	\$ 576,721	\$ 566,642	\$ 369,668	\$ 228,993	\$ 252,157	\$ 180,586	\$ 130,272	\$ 128,393	\$ 113,537
Actual contribution	606,930	576,721	566,642	369,668	228,993	252,157	180,586	130,272	128,393	113,537
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,663,279	\$ 1,402,874	\$ 1,323,621	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	\$ 560,400
Contributions as a percentage of covered payroll	36.49%	41.11%	42.81%	33.86%	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%

Notes to Required Supplementary Information
For the Year Ended June 30, 2025

The net pension liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability	0.03350%	0.01236%	0.01063%	0.01108%	0.01130%	0.01278%	0.01483%	0.01554%		
Proportionate share of the net OPEB liability (asset)	\$ (23,100)	\$ (17,060)	\$ 209,725	\$ 212,102	\$ 272,677	\$ 214,954	\$ 263,339	\$ 312,407		
Covered payroll in year of measurement	\$ 418,842	\$ 358,683	\$ 293,727	\$ 283,042	\$ 236,386	\$ 278,969	\$ 367,435	\$ 384,394		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.52%	-4.76%	71.40%	74.94%	115.35%	77.05%	71.67%	81.27%		
Plan fiduciary net position as a percentage of total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%		

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ 12,159	\$ 16,977	\$ 13,473	\$ 10,461	\$ 14,674	\$ 17,269	\$ 18,182	
Actual contribution	-	-	12,159	16,977	13,473	10,461	14,674	17,269	18,182	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	\$ 436,130	\$ 418,842	\$ 358,683	\$ 293,727	\$ 283,042	\$ 219,761	\$ 278,969	\$ 367,435	\$ 384,394	
Contributions as a percentage of covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	

Notes to Required Supplementary Information
For the Year Ended June 30, 2025

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, 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 Clty's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability	0.18593%	0.18854%	0.16780%	0.12740%	0.13841%	0.12285%	0.10536%	0.10749%		
Proportionate share of the net OPEB liability (asset)	\$ 225,533	\$ 257,967	\$ 1,429,254	\$ 1,030,088	\$ 1,279,027	\$ 908,903	\$ 751,146	\$ 888,564		
Covered payroll in year of measurement	\$ 1,402,874	\$ 1,323,621	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	16.08%	19.49%	130.91%	135.22%	152.47%	125.12%	128.00%	150.25%		
Plan fiduciary net position as a percentage of total OPEB liability	93.53%	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%		

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 35,262	\$ 36,194	\$ 89,742	\$ 114,307	\$ 72,522	\$ 79,858	\$ 76,055	\$ 54,867	\$ 55,296	
Actual contribution	35,262	36,194	89,742	114,307	72,522	79,858	76,055	54,867	55,296	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,663,279	\$ 1,402,874	\$ 1,323,621	\$ 1,091,754	\$ 761,788	\$ 838,844	\$ 726,412	\$ 586,812	\$ 591,400	
Contributions as a percentage of covered payroll	2.12%	2.58%	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%	

Notes to Required Supplementary Information
For the Year Ended June 30, 2025

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF DRY RIDGE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 165,412	\$ -	\$ 165,412	\$ 249,695	\$ 84,283
Resources (inflows)					
Intergovernmental	40,000	-	40,000	46,476	6,476
Interest	700	-	700	8,335	7,635
Amount available for appropriation	<u>206,112</u>	<u>-</u>	<u>206,112</u>	<u>304,506</u>	<u>98,394</u>
Charges to appropriations (outflows):					
Public works	40,000	-	40,000	40,323	(323)
Total charges to appropriation	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>40,323</u>	<u>(323)</u>
Budgetary fund balance, June 30	<u>\$ 166,112</u>	<u>\$ -</u>	<u>\$ 166,112</u>	<u>\$ 264,183</u>	<u>\$ 98,071</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, 2025 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 19, 2026.

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 19, 2026