

**CITY OF
 DRY RIDGE, KENTUCKY
 ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2014**

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Fossett And Associates, CPA

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Dry Ridge, KY

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Dry Ridge KY as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dry Ridge, KY, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-10 and 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the City of Dry Ridge, KY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dry Ridge, KY's internal control over financial reporting and compliance.

Fossett and Associates CPA

Erlanger, KY
December 31, 2014

City of Dry Ridge

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Mayor
Clay Crupper

City Clerk / Treasurer
Cindy L. Harris

Management's Discussion and Analysis

As management of the City of Dry Ridge, we offer readers of the City of Dry Ridge's financial statements this narrative overview and analysis of the financial activities of the City of Dry Ridge for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City of Dry Ridge exceeded its liabilities at the close of the most recent fiscal year by \$3,314,194 (net position). Of this amount, \$1,386,414 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$419,480. Governmental activities increased by \$369,842, while business-type activities increased by \$49,638.
- As of the close of the current fiscal year, the City of Dry Ridge's governmental funds reported combined ending fund balances of \$800,457, an increase of \$396,379 in comparison with the prior year. \$767,814 of this total amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$767,814, or 49 percent of total general fund expenditures.
- The City of Dry Ridge's total debt decreased by \$23,439 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Dry Ridge's basic financial statements. The City of Dry Ridge's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Dry Ridge's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Dry Ridge's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Dry Ridge is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, police protection, fire protection, streets, and recreation. The business-type activities of the City of Dry Ridge include the Water and Sewer System.

The government-wide financial statements can be found on pages 11-12.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Dry Ridge, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Dry Ridge can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Dry Ridge maintains two individual governmental funds. 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 the general fund and the municipal aid fund, both of which are considered to be major funds.

The City of Dry Ridge adopts an annual appropriated budget for both its general and municipal aid funds. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-14.

Proprietary Funds

The City of Dry Ridge maintains one type of proprietary fund: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dry Ridge uses an enterprise fund to account for its Water and Sewer System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System which is considered to be major fund of the City of Dry Ridge.

The basic proprietary fund financial statements can be found on pages 16-18.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-30.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dry Ridge, assets exceeded liabilities by \$3,314,194 at the close of the most recent fiscal year.

By far the largest portion of the City of Dry Ridge's net position (57 percent) reflects its investment in capital assets (e.g., land, buildings, utility systems, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Dry Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Dry Ridge's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Dry Ridge's net position (<1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,386,414) may be used to meet the government's ongoing obligations to citizens and creditors.

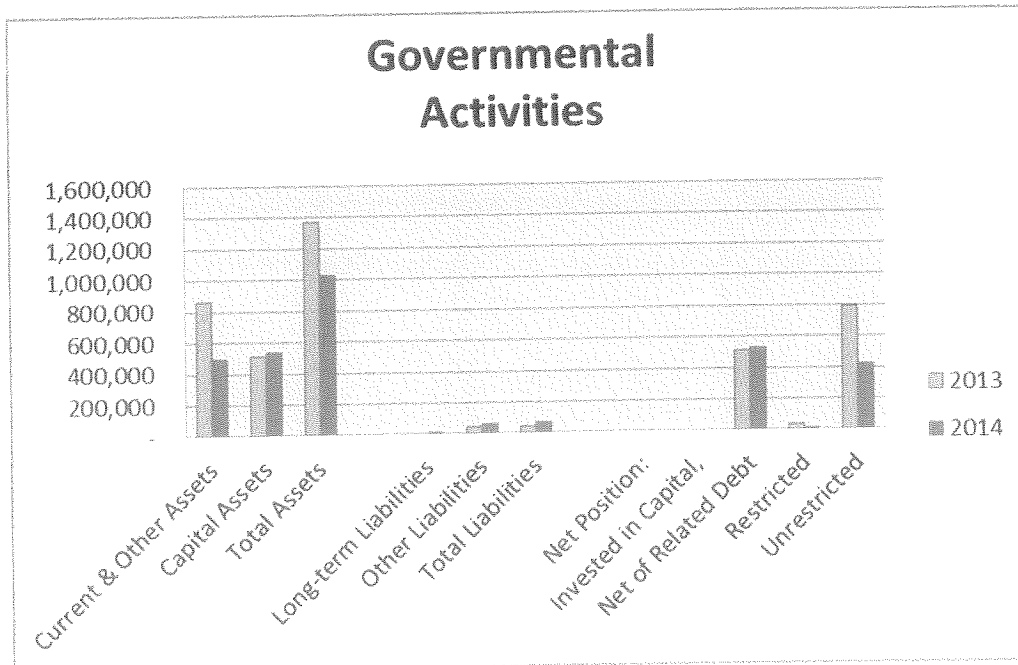
City of Dry Ridge's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 864,943	\$ 492,959	\$ 804,387	\$ 660,021	\$ 1,669,330	\$ 1,152,980
Capital Assets	506,864	535,716	1,635,073	1,722,513	2,141,937	2,258,229
Total Assets	<u>1,371,807</u>	<u>1,028,675</u>	<u>2,439,460</u>	<u>2,382,534</u>	<u>3,811,267</u>	<u>3,411,209</u>
Long-term Liabilities	\$ -	\$ 5,539	\$ 229,100	\$ 247,200	\$ 229,100	\$ 252,739
Other Liabilities	41,829	63,000	226,144	200,756	267,973	263,756
Total Liabilities	<u>41,829</u>	<u>68,539</u>	<u>455,244</u>	<u>447,956</u>	<u>497,073</u>	<u>516,495</u>

Net Position:

Invested in Capital,

Net of Related Debt	\$ 507,264	\$ 530,177	\$ 1,387,873	\$ 1,457,413	\$ 1,895,137	\$ 1,987,590
Restricted	32,643	9,149	-	-	32,643	9,149
Unrestricted	790,071	420,810	596,343	477,165	1,386,414	897,975
Total Net Position	<u>\$ 1,329,978</u>	<u>\$ 960,136</u>	<u>\$ 1,984,216</u>	<u>\$ 1,934,578</u>	<u>\$ 3,314,194</u>	<u>\$ 2,894,714</u>



At the end of the current fiscal year, the City of Dry Ridge is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position increased by \$419,480 during the current fiscal year.

City of Dry Ridge's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	342,306	326,754	1,500,025	1,499,888	1,842,331	1,826,642
Operating Grants & Contributions	26,701	35,930	-	-	26,701	35,930
Capital Grants & Contributions	128,997	85,447	-	-	128,997	85,447
General Revenues:						
Property Taxes	569,172	539,114	-	-	569,172	539,114
Other Taxes	952,821	620,534	-	-	952,821	620,534
Licenses & Permits	23,391	26,362	-	-	23,391	26,362
Fines & Forfeitures	-	-	-	-	-	-
Interest	1,713	2,627	1,772	1,877	3,485	4,504
Miscellaneous	7,065	18,935	63,600	19,751	70,665	38,686
Total Revenues	<u>2,052,166</u>	<u>1,655,703</u>	<u>1,565,397</u>	<u>1,521,516</u>	<u>3,617,563</u>	<u>3,177,219</u>
Expenses:						
General Government	207,213	225,988	-	-	207,213	225,988
Police	218,793	229,580	-	-	218,793	229,580
Fire	1,049,831	1,043,179	-	-	1,049,831	1,043,179
Public Works	183,134	315,552	-	-	183,134	315,552
Recreation	23,353	23,409	-	-	23,353	23,409
Water & Sewer	-	-	1,503,822	1,498,683	1,503,822	1,498,683
Interest Expense	-	1,286	11,937	8,543	11,937	9,829
Total Expenses	<u>1,682,324</u>	<u>1,838,994</u>	<u>1,515,759</u>	<u>1,507,226</u>	<u>3,198,083</u>	<u>3,346,220</u>
Excess (Deficiency) in Net Assets	369,842	(183,291)	49,638	14,290	419,480	(169,001)
Beginning Net Position	<u>960,136</u>	<u>1,143,427</u>	<u>1,934,578</u>	<u>1,920,288</u>	<u>2,894,714</u>	<u>3,063,715</u>
Ending Net Position	<u><u>1,329,978</u></u>	<u><u>960,136</u></u>	<u><u>1,984,216</u></u>	<u><u>1,934,578</u></u>	<u><u>3,314,194</u></u>	<u><u>2,894,714</u></u>

Governmental Activities

Governmental activities increased the City of Dry Ridge's net position by \$369,842. The key element of this increase is that the City's expenditures were reduced from FY 2013 to FY 2014 by \$107,578 and revenues have increased by \$394,912 which was from ambulance run fees, insurance premium fees and predominately "occupational license fees". Council increased the rate for "Occupational License Fees" (Payroll Taxes) from .005 to .0125 effective January 1, 2014.

Business-type Activities

Business-type activities increased the City of Dry Ridge's net position by \$49,638, which is an increase much larger than last year's increase of \$14,290. Key elements of this increase in income are as follows.

- Monies owed from McCahrid on Fashion Ridge Road for utility installation were recorded as revenues & set up as receivables in the Utility Fund.
- Monies owed at both Ashley & Summerfield Drive subdivisions for municipal sewer installation fees were also recorded as revenues & set up as receivables in the Utility Fund.

Financial Analysis of the Government's Funds

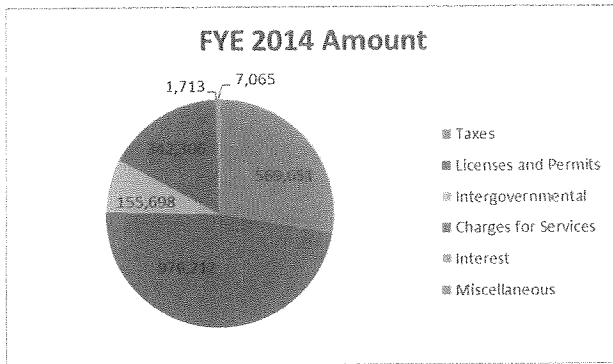
As noted earlier, the City of Dry Ridge uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Dry Ridge's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Dry Ridge's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

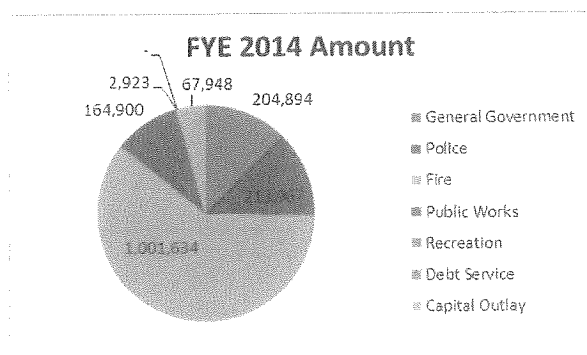
The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2014 Amount	Percent of Total	FYE 2013 Amount	Increase (Decrease) From FYE 13	Percent Increase (Decrease)
Taxes	\$ 569,651	27.75%	\$ 541,144	\$ 28,507	5.27%
Licenses and Permits	976,212	47.56%	646,896	329,316	50.91%
Intergovernmental	155,698	7.59%	121,377	34,321	28.28%
Charges for Services	342,306	16.68%	326,754	15,552	4.76%
Interest	1,713	0.08%	2,627	(914)	-34.79%
Miscellaneous	7,065	0.34%	18,935	(11,870)	-62.69%
Total Revenues	\$ 2,052,645	100.00%	\$ 1,657,733	\$ 394,912	



- Tax revenues increased this fiscal year due to an increase in tax billings. Tax collection also increased.
- Ambulance fees received increased.
- Licenses and permits remained virtually the same with insurance premium taxes increasing.
- Occupational License fees (payroll taxes) increased due to the rate increase from .005 to .0125 enacted in November 2013 effective January 1, 2014

Expenditures	FYE 2014 Amount	Percent of Total	FYE 2013 Amount	Increase (Decrease) From FYE 13	Percent Increase (Decrease)
General Government	\$ 204,894	12.37%	\$ 212,588	\$ (7,694)	-3.62%
Police	213,967	12.92%	224,754	(10,787)	-4.80%
Fire	1,001,634	60.48%	981,288	20,346	2.07%
Public Works	164,900	9.96%	306,039	(141,139)	-46.12%
Recreation	2,923	0.18%	2,976	(53)	-1.78%
Debt Service	-	0.00%	29,486	(29,486)	-100.00%
Capital Outlay	67,948	4.10%	6,713	61,235	912.19%
Total Expenditures	\$ 1,656,266	100.00%	\$ 1,763,844	\$ (107,578)	



- Fire department expenditures increased this fiscal year about 2% due mainly to increases in workers compensation, unemployment, supplies, etc.
- Public works expenditures decreased.
- General government expenditures decreased.
- Police department expenditures decreased
- Expenditures overall decreased in the General Fund.

Proprietary Funds

The City of Dry Ridge's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer System at the end of the year amounted to \$596,343. The total increase in net position was \$49,638. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Dry Ridge's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City of Dry Ridge's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$2,142,337 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility system, improvements, equipment, park facilities, and roads. The total decrease in the City of Dry Ridge's investment in capital assets for the current fiscal year was 5 percent.

City of Dry Ridge's Capital Assets

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Land	\$ 80,000	80,000	\$ 2,000	\$ 2,000
Buildings	567,815	567,815	74,561	74,561
Utility System	-	-	3,983,377	3,983,377
Infrastructure	306,726	238,778	-	-
Improvements	217,335	217,335	-	-
Vehicles	1,099,026	1,099,026	-	-
Equipment	989,901	989,501	281,003	264,370
Furniture & Fixtures	26,044	26,044	-	-
Totals	<u>\$ 3,286,847</u>	<u>3,218,499</u>	<u>\$ 4,340,941</u>	<u>\$ 4,324,308</u>

This year's major additions included:	Equipment	17,033
	Infrastructure	67,948
	Total	<u>\$ 84,981</u>

Additional information on the City of Dry Ridge's capital assets can be found in note D on pages 25-26.

Long-term Debt

At the end of the current fiscal year, the City of Dry Ridge had total debt outstanding of \$247,200. The City's total debt decreased by \$23,439 or 8.6 percent during the current fiscal year.

	Governmental		Business-type		Totals	
	2014	2013	2014	2013	2014	2013
Bonds Payable	\$ -	\$ -	\$ 247,200	\$ 265,100	\$ 247,200	\$ 265,100
Notes Payable	-	5,539	-	-	-	5,539
Totals	\$ -	\$ 5,539	\$ 247,200	\$ 265,100	\$ 247,200	\$ 270,639

Additional information on the City of Dry Ridge's long-term debt can be found in note E on pages 27-28.

Requests for Information

This financial report is designed to provide a general overview of the City of Dry Ridge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer at 31, Broadway, Dry Ridge, Kentucky.

Clay Crupper

Clay Crupper
Mayor

CITY OF DRY RIDGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 404,759	\$ 517,699	\$ 922,458
Receivables	461,048	279,262	740,310
Prepaid Insurance	651	5,512	6,163
Internal balances	(1,915)	1,914	(1)
Capital Assets:			
Land	80,000	2,000	82,000
Buildings	567,815	74,561	642,376
Utility System	-	3,983,377	3,983,377
Infrastructure	306,726	-	306,726
Improvements	217,335	-	217,335
Vehicles	1,099,026	-	1,099,026
Equipment	989,901	281,003	1,270,904
Furniture & Fixtures	26,044	-	26,044
Less Accumulated Depreciation	(2,779,583)	(2,705,868)	(5,485,451)
Total Assets	<u>1,371,807</u>	<u>2,439,460</u>	<u>3,811,267</u>
Liabilities			
Current Liabilities:			
Accounts Payable	5,155	128,425	133,580
Accrued Liabilities	36,674	13,319	49,993
Customer Deposits	-	66,300	66,300
Noncurrent Liabilities:			
Due Within One Year	-	18,100	18,100
Due in More Than One Year	-	229,100	229,100
Total Liabilities	<u>41,829</u>	<u>455,244</u>	<u>497,073</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	507,264	1,387,873	1,895,137
Restricted For:			
Municipal Aid	32,643	-	32,643
Unrestricted	790,071	596,343	1,386,414
Total Net Position	<u>\$ 1,329,978</u>	<u>\$ 1,984,216</u>	<u>\$ 3,314,194</u>

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, 2014

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary: Government:							
Governmental Activities:							
General Government	\$ 207,213	\$ -	\$ -	6,809	\$ (200,404)	\$ -	\$ (200,404)
Police	218,793	-	-	-	(218,793)	-	(218,793)
Fire	1,049,831	342,306	26,701	15,245	(665,579)	-	(665,579)
Streets	183,134	-	-	106,943	(76,191)	-	(76,191)
Recreation	23,353	-	-	-	(23,353)	-	(23,353)
Debt Service Interest	-	-	-	-	-	-	-
Total Governmental Activities	<u>1,682,324</u>	<u>342,306</u>	<u>26,701</u>	<u>128,997</u>	<u>(1,184,320)</u>	<u>-</u>	<u>(1,184,320)</u>
Business-type Activities:							
Water & Sewer	1,515,759	1,500,025	-	-	-	(15,734)	(15,734)
Total Business-type Activities	<u>1,515,759</u>	<u>1,500,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,734)</u>	<u>(15,734)</u>
Total Primary Government	<u>\$ 3,198,083</u>	<u>\$ 1,842,331</u>	<u>\$ 26,701</u>	<u>\$ 128,997</u>	<u>\$ (1,184,320)</u>	<u>\$ (15,734)</u>	<u>\$ (1,200,054)</u>
General Revenues:							
Property Taxes					569,172	-	569,172
Payroll Tax					661,077	-	661,077
Insurance Tax					291,744	-	291,744
Other Licenses and Permits					23,391	-	23,391
Interest					1,713	1,772	3,485
Miscellaneous					7,065	63,600	70,665
Total General Revenues and Transfers					<u>1,554,162</u>	<u>65,372</u>	<u>1,619,534</u>
Change in Net Position					369,842	49,638	419,480
Net Position - Beginning					960,136	1,934,578	2,894,714
Net Position - Ending					<u>\$ 1,329,978</u>	<u>\$ 1,984,216</u>	<u>\$ 3,314,194</u>

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
June 30, 2014

	General Fund	Municipal Aid Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 372,116	\$ 32,643	\$ 404,759
Taxes Receivable	459,486	-	459,486
Intergovernmental Receivables	1,562	-	1,562
Prepaid Insurance	651	-	651
Due From Other Funds	598	-	598
Total Assets	\$ 834,413	\$ 32,643	\$ 867,056
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 5,155	\$ -	\$ 5,155
Accrued Liabilities	36,674	-	36,674
Due to Other Funds	2,513	-	2,513
Deferred Revenue	22,257	-	22,257
Total Liabilities	66,599	-	66,599
Fund Balances:			
Unassigned, Reported In:			
General Fund	767,814	-	767,814
Restricted, Reported In:			
Municipal Aid Fund	-	32,643	32,643
Total Fund Balances	767,814	32,643	800,457
Total Liabilities and Fund Balances	\$ 834,413	\$ 32,643	

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. 507,264

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. 22,257

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. -

Net assets of governmental activities. **\$ 1,329,978**

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 For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 569,651	\$ -	\$ 569,651
Licenses and Permits	976,212	-	976,212
Intergovernmental	48,755	106,943	155,698
Charges for Services	342,306	-	342,306
Interest	1,595	118	1,713
Miscellaneous	7,065	-	7,065
Total Revenues	<u>1,945,584</u>	<u>107,061</u>	<u>2,052,645</u>
Expenditures			
Current:			
General Government	204,894	-	204,894
Police	213,967	-	213,967
Fire	1,001,634	-	1,001,634
Public Works	149,281	15,619	164,900
Recreation	2,923	-	2,923
Capital Outlay	-	67,948	67,948
Total Expenditures	<u>1,572,699</u>	<u>83,567</u>	<u>1,656,266</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	372,885	23,494	396,379
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>372,885</u>	<u>23,494</u>	<u>396,379</u>
Fund Balances - Beginning	394,929	9,149	404,078
Fund Balances - Ending	<u>\$ 767,814</u>	<u>\$ 32,643</u>	<u>\$ 800,457</u>

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES For the Year Ended June 30, 2014
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Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental fund (page 12)	\$	396,379
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlay	67,948	
Depreciation	(95,376)	
		(27,428)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets:</p>		
Loan Proceeds	-	
Principal payments	-	
		-
<p>Revenues in the statement of activities that do not provide current financial resources and therefore, are not reported as revenues in the funds, while some revenues reported in the funds have already been recognized in earlier periods for the statement of activities. This is the net effect of those changes:</p>		
Deferred revenues not yet recognized	891	
Delinquent revenues already recognized	-	
		891
Change in net assets of governmental activities	\$	369,842
		-

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF NET POSITION June 30, 2014
--

Assets

Current Assets:

Cash and Cash Equivalents	\$ 517,699
Accounts Receivable	279,262
Prepaid Expenses	5,512
Due from other funds	2,513

Total Current Assets	<u>804,986</u>
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Noncurrent Assets:

Capital Assets:

Land	2,000
Buildings	74,561
Utility System	3,983,377
Equipment	281,003
Less Accumulated Depreciation	(2,705,868)
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,635,073</u>

Total Noncurrent Assets	<u>1,635,073</u>
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Total Assets	<u><u>2,440,059</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	128,425
Accrued Liabilities	13,319
Due to Other Funds	599
Customer Deposits	66,300
Bonds Payable - Current	18,100

Total Current Liabilities	<u>226,743</u>
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Noncurrent Liabilities:

Bonds Payable	229,100
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Total Noncurrent Liabilities	<u>229,100</u>
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Total Liabilities	<u>455,843</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	1,387,873
Unrestricted	596,343

Total Net Position	<u><u>\$ 1,984,216</u></u>
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The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended June 30, 2014
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Operating Revenues:	
Sewer Service	\$ 972,892
Water Service	463,255
Water Station	4,185
Waste Collection	53,639
Water Penalties	6,054
Miscellaneous	63,600
Total Operating Revenues	<u>1,563,625</u>
Operating Expenses:	
Cost of Sales and Services	1,399,749
Depreciation	104,073
Total Operating Expenses	<u>1,503,822</u>
 Operating Income (Loss)	 59,803
Nonoperating Revenues (Expenses):	
Interest Income	1,772
Interest Expense	(11,937)
Total Nonoperating Revenues (Expenses)	<u>(10,165)</u>
 Income (Loss) Before Contributions	 49,638
 Capital Contributions	 -
 Change in Net Position	 <u>49,638</u>
 Total Net Position - Beginning	 1,934,578
 Total Net Position - Ending	 \$ <u><u>1,984,216</u></u>

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY STATEMENT OF CASH FLOWS For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,523,896
Payments to Suppliers	(1,169,320)
Payments to Employees	(226,604)
Net Cash Provided (Used) by Operating Activities	127,972
 Cash Flows from Capital and Related Financing Activities	
Capital Contributions	-
Purchases of Capital Assets	(16,633)
Principal Paid on Capital Debt	(17,900)
Interest Paid on Capital Debt	(12,007)
Net Cash Provided (Used) by Capital and Related Financing Activities	(46,540)
 Cash Flows from Investing Activities	
Interest Income	1,772
Net Cash Provided (Used) by Investing Activities	1,772
 Net Increase in Cash	 83,204
 Cash - Beginning of Period	 434,495
 Cash - End of Period	 \$ 517,699
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 59,803
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	104,073
(Increase) Decrease in Accounts Receivable	(50,429)
(Increase) Decrease in Prepaid Insurance	(5,512)
Increase (Decrease) in Accounts Payable	13,407
Increase (Decrease) in Accrued Liabilities	961
Increase (Decrease) in Customer Deposits	10,700
Increase (Decrease) in Due to Other Funds	(5,031)
Total Adjustments	68,169
Net Cash Provided by Operating Activities	\$ 127,972

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 municipal corporation governed by an elected Mayor and six-member City Council. As required by generally accepted accounting principles, these financial statements present all activities for which the City is considered to be financially accountable.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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 statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide 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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports on the following funds:

The general fund is the City'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.

The special revenue is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The City of Dry Ridge has one Special Revenue Fund for Municipal Road Aid. The amount of restricted net position is \$32,643.

The City reports on the following proprietary fund:

The proprietary fund accounts for the activities of the City's water and sewer sales and services function.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a rule, the effect of inter fund activity has been eliminated from the government-wide financial statements.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

GASBS No. 54

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Certain changes in the Statement will require the following:

Fund Balances for each of the City's governmental funds (General Fund, Municipal Road Aid Fund and Proprietary Fund) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid accounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

The statement also establishes several new presentation and disclosure requirements, including requirements related to stabilization arrangements (i.e., "rainy day" amounts).

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds.

The provisions of GASBS No. 54 must be implemented by the City no later than the fiscal year beginning July 1, 2010. Implementation will require the City to restate existing fund balances for the governmental funds.

Since the City of Dry Ridge does not establish a policy for its use of unassigned fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unassigned fund balance classifications could be used.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Assets, Liabilities and Net position or Equity

Cash and Cash Equivalents

Cash and cash equivalents including 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 October 1 on values assessed on January 1. The billings are considered past due 60 days after the respective tax billing date at which time the applicable property is subject to lien, and penalties and interest are assessed.

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".

Fixed 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. Infrastructure such as street, 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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 ranges of lives used for depreciation purposes for each fixed asset class are as follows:

Buildings	40 years
Public Domain Infrastructure	10 - 40 years
Improvements	10 years
Vehicles	7 years
Machinery & Equipment	5 years
Furniture & Fixtures	5 years

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. Vacation pay and sick pay (for qualifying employees) is accrued when incurred and reported as a fund liability.

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

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

Fund Equity

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose (See Note on GASBS No. 54). Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses net related to capital and related financing, non-capital financing or investing activities.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. 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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE C – DEPOSITS

The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. The City's deposits are entirely insured or collateralized with securities held by an agent of the City in the City's name.

As of June 30, 2014 the City had cash and cash equivalents of \$922,458.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Retirements/ Reclassifications	Balance June 30, 2014
Governmental Activities				
Land	\$ 80,000	-	-	\$ 80,000
Buildings	567,815	-	-	567,815
Improvements	217,335	-	-	217,335
Infrastructure	238,778	67,948	-	306,726
Vehicles	1,099,027	-	-	1,099,027
Equipment	989,501	400	-	989,901
Furniture & Fix.	26,043	-	-	26,043
Subtotal	3,218,499	68,348	-	3,286,847
Accumulated Depreciation				
Land	-	-	-	-
Buildings	(438,934)	(11,030)	-	(449,964)
Improvements	(143,045)	(21,707)	-	(164,751)
Infrastructure	(68,406)	(11,617)	-	(80,023)
Vehicles	(1,064,157)	(27,814)	-	(1,091,971)
Equipment	(943,621)	(23,208)	-	(966,829)
Furniture & Fix.	(26,043)	-	-	(26,043)
Subtotal	(2,684,206)	(95,376)	-	(2,779,583)
Net Capital Assets	\$ 534,293			\$ 507,264

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Depreciation was charged to functions as follows:

General Government	\$	3,690
Police		4,826
Fire		48,197
Streets & Highways		18,234
Parks		20,430
Total Governmental Activities Depreciation	\$	<u>95,376</u>

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

	Balance June 30, 2013	Additions	Retirements/ Reclassifications	Balance June 30, 2014
Business-Type Activities				
Land	\$ 2,000			\$ 2,000
Buildings	74,561			74,561
Improvements	3,983,377	-		3,983,377
Equipment	264,370	16,633		281,003
Subtotal	<u>4,324,308</u>	<u>16,633</u>	<u>-</u>	<u>4,340,941</u>
Accumulated Depreciation				
Land	-			-
Buildings	(12,563)	(1,864)		(14,427)
Improvements	(2,358,090)	(88,519)		(2,446,610)
Equipment	(231,141)	(13,690)		(244,831)
Subtotal	<u>(2,601,794)</u>	<u>(104,073)</u>	<u>-</u>	<u>(2,705,868)</u>
Net Capital Assets	<u>\$ 1,722,514</u>			<u>\$ 1,635,073</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE E – LONG-TERM LIABILITIES

Bonds Payable – Enterprise Funds

The City has the following bonds payable in connection with water and sewer line improvements. Revenues from the water and sewer system are pledged for the payment of the principal and interest on the notes.

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 06/30/2014</u>
07/01/1993	5.200%	07/01/2016	\$ 60,000
09/25/2003	3.500%	01/01/2043	<u>187,200</u>
			<u>\$ 247,200</u>

The following is a schedule of future debt service requirements to maturity at June 30, 2014:

<u>Year ended June 30,</u>	<u>KIA BOND</u>		<u>RURAL DEVELOPMENT</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	15,000	3,900	3,100	6,654
2016	15,000	3,120	3,200	6,552
2017	15,000	2,340	3,300	6,444
2018	15,000	3,120	3,400	6,322
2019-2023	-	-	22,000	33,372
2024-2028	-	-	23,600	37,811
2029-2033	-	-	30,000	32,852
2034-2038	-	-	37,900	26,561
2039-2043	-	-	<u>60,700</u>	<u>18,583</u>
Total	<u>60,000</u>	<u>12,480</u>	<u>187,200</u>	<u>175,151</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

During the year ended June 30, 2014, the following changes occurred in Utility long-term debt:

		June 30, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2014</u>
Bonds Payable	\$	<u>265,100</u>	\$ <u>-</u>	\$ <u>(17,900)</u>	\$ <u>247,200</u>
Totals	\$	<u><u>265,100</u></u>	<u><u>-</u></u>	<u><u>(17,900)</u></u>	<u><u>247,200</u></u>

NOTE F – CLAIMS AND JUDGMENTS

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

NOTE G – EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that cover substantial all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 18.89% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2014, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.70% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 35.70% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings. The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2014	\$ 223,679	100%
2013	\$ 236,632	100%
2012	\$ 207,339	100%

NOTE H – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE I – 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 has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual potential claims against the City as of June 30, 2014, 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 three fiscal years.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE J – INTER-FUND TRANSACTIONS

A summary of the inter-fund account balances is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Utility Fund	\$ <u> -</u>

NOTE K- SUBSEQUENT EVENTS

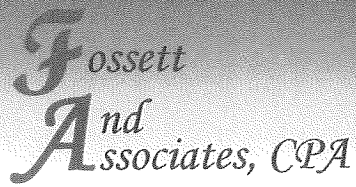
Management has evaluated subsequent events through December 31, 2014, the date on which the financial statements were available to be issued.

CITY OF DRY RIDGE, KENTUCKY
GENERAL FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 494,500	\$ 494,500	\$ 569,651	\$ 75,151
Licenses and Permits	604,000	604,000	976,212	372,212
Intergovernmental	55,300	55,300	48,755	(6,545)
Charges for Services	318,500	318,500	342,306	23,806
Fines and Forfeitures	-	-	-	-
Interest	4,000	4,000	1,595	(2,405)
Miscellaneous	1,000	1,000	7,065	6,065
Total Revenues	<u>1,477,300</u>	<u>1,477,300</u>	<u>1,945,584</u>	<u>468,284</u>
Expenditures				
Current:				
General Government	248,000	248,000	204,894	43,106
Police	233,350	233,350	213,967	19,383
Fire	1,028,000	1,028,000	1,001,634	26,366
Public Works	157,200	157,200	149,281	7,919
Recreation	5,500	5,500	2,923	2,577
Debt Service:		-		
Principal	28,000	28,000	-	28,000
Interest	3,400	3,400	-	3,400
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,703,450</u>	<u>1,703,450</u>	<u>1,572,699</u>	<u>130,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(226,150)	(226,150)	372,885	599,035
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(226,150)	(226,150)	372,885	599,035
Fund Balances - Beginning	<u>394,929</u>	<u>394,929</u>	<u>394,929</u>	-
Fund Balances - Ending	<u>\$ 168,779</u>	<u>\$ 168,779</u>	<u>\$ 767,814</u>	<u>\$ 599,035</u>

CITY OF DRY RIDGE, KENTUCKY
MUNICIPAL ROAD AID FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 106,800	\$ 106,800	\$ 106,943	\$ 143
Interest	-	-	118	118
Total Revenues	<u>106,800</u>	<u>106,800</u>	<u>107,061</u>	<u>261</u>
Expenditures				
Public Works	15,652	15,652	15,619	33
Capital Outlay	67,948	67,948	67,948	-
Total Expenditures	<u>83,600</u>	<u>83,600</u>	<u>83,567</u>	<u>33</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,200	23,200	23,494	294
Net Change in Fund Balances	23,200	23,200	23,494	294
Fund Balances - Beginning	<u>9,149</u>	<u>9,149</u>	<u>9,149</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 32,349</u>	<u>\$ 32,349</u>	<u>\$ 32,643</u>	<u>\$ 294</u>



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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

December 31, 2014

To the City Council
City of Dry Ridge, KY

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 the major fund of City of Dry Ridge, KY, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Dry Ridge, KY's basic financial statements and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dry Ridge, KY's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dry Ridge, KY's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dry Ridge, KY'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 a 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. We did identify certain deficiencies in internal control, described in the



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accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2014-1). 2014-1 was noted in last year's report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dry Ridge, KY'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dry Ridge, KY's Response to Findings

Dry Ridge, KY's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dry Ridge, KY's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Fossett & Associates, CPA

Erlanger, KY
December 31, 2014

City of Dry Ridge
Schedule of Findings
& Responses
F.Y.E. June 30, 2014

Significant Deficiencies:

2014-1

Condition: A lack of separation of duties.

Criteria: Internal Controls should be in place to allow for separation of duties in the collection of receipts and payments and disbursements.

Cause: A lack of employees in the clerk's office to accomplish this control.

Effect: It could be possible for improper recording to the financial statements without being corrected.

Recommendation: Hire an additional employee in the clerk's office to accomplish separation of duties.

View of responsible officials and plans of corrective actions: The city operates on a tight budget and has no plans to hire additional personnel in the clerk's office to separate duties.