

**CITY OF
 DRY RIDGE, KENTUCKY
 ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2015**

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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, 2015, 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.



4224 Dixie Highway
Suite F
Erlanger, KY 41018

PHONE (859) 283-9393
FAX (859) 283-9394
E-MAIL fossettcpa@fuse.net
WEB SITE <http://www.fossettcpa.com>

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, 2015, 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 3-11 and 34-35 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 October 27, 2015, 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
October 27, 2015

CITY OF DRY RIDGE

P.O. Box 145, 31 Broadway
Dry Ridge, Kentucky 41035-0145

Phone: 859-824-3335
Fax: 859-824-3598
www.cdrky.org

Office of the City Clerk

Amy Kenner

October 27, 2015

MD&A June 30, 2015

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, 2015.

Financial Highlights

- The assets of the City of Dry Ridge exceeded its liabilities at the close of the most recent fiscal year by \$2,159,620 (net position). Of this amount, \$324,635 (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 \$351,965. Governmental activities increased by \$483,601, while business-type activities decreased by \$131,636.
- As of the close of the current fiscal year, the City of Dry Ridge's governmental funds reported combined ending fund balances of \$1,271,707, an increase of \$471,250 in comparison with the prior year. \$1,252,588 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 \$1,252,588, or 65 percent of total general fund expenditures.

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

James Wells, Mayor
jim.wells@cdrky.org

Amy Kenner,
City Clerk/ Treasurer
amy.kenner@cdrky.org



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 12-13.

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 14-15.

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 16-17.

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 20-33.

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 \$2,159,620 at the close of the most recent fiscal year.

By far the largest portion of the City of Dry Ridge's net position (84 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 (\$324,635) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Dry Ridge's Net Position

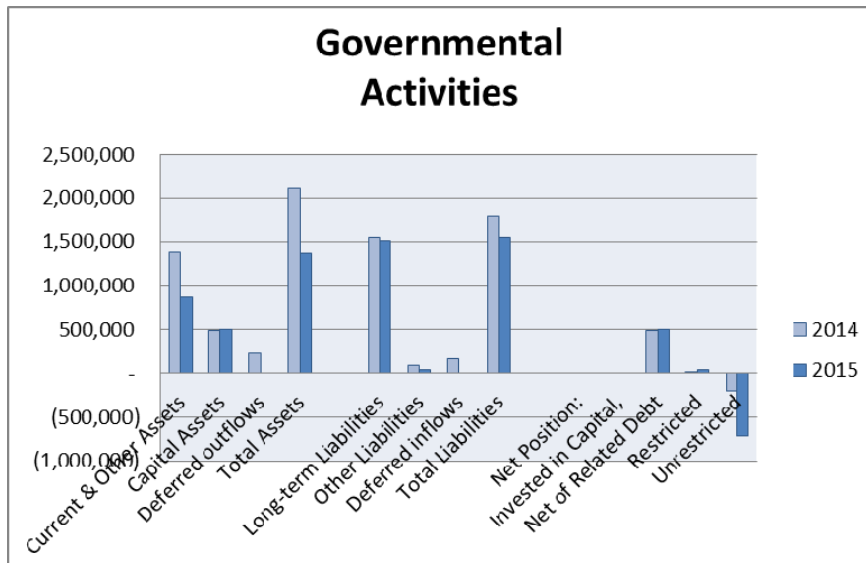
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
		Restated				Restated
Current & Other Assets	\$ 1,421,639	\$ 864,943	\$ 755,008	\$ 804,387	\$ 2,176,647	\$ 1,669,330
Capital Assets	494,478	506,864	1,550,488	1,635,073	2,044,966	2,141,937
Total Assets	1,916,117	1,371,807	2,305,496	2,439,460	4,221,613	3,811,267
Deferred outflows	193,745	-	34,343	-	228,088	-
Total Assets including Deferred Outflows	2,109,862	1,371,807	2,339,839	2,439,460	4,449,701	3,811,267
Long-term Liabilities	\$ 1,545,165	*\$ 1,506,539	\$ 229,100	\$ 229,100	\$ 1,774,265	\$ 1,735,639
Other Liabilities	89,434	41,829	234,428	226,144	323,862	267,973
Total Liabilities	1,634,599	1,548,368	463,528	455,244	2,098,127	2,003,612
Deferred inflows	133,880	-	23,731	-	157,611	-
Total Liabilities including Deferred Inflows	1,768,479	1,548,368	487,259	455,244	2,255,738	2,003,612

Net Position:

Invested in Capital,

Net of Related Debt	\$ 494,478	\$ 507,264	\$ 1,321,388	\$ 1,387,873	\$ 1,815,866	\$ 1,895,137
Restricted	19,119	32,643	-	-	19,119	32,643
Unrestricted	(206,557)	(716,468)	* 531,192	596,343	324,635	(120,125)
Total Net Position	\$ 307,040	\$ (176,561)	\$ 1,852,580	\$ 1,984,216	\$ 2,159,620	\$ 1,807,655

* adjusted for pension liability.



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 \$351,965 during the current fiscal year.

City of Dry Ridge's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	437,880	342,306	1,513,742	1,500,025	1,951,622	1,842,331
Operating Grants & Contributions	29,747	26,701	-	-	29,747	26,701
Capital Grants & Contributions	76,225	128,997	-	-	76,225	128,997
General Revenues:						
Property Taxes	556,886	569,172	-	-	556,886	569,172
Other Taxes	1,276,370	952,821	-	-	1,276,370	952,821
Licenses & Permits	19,106	23,391	-	-	19,106	23,391
Fines & Forfeitures	-	-	-	-	-	-
Interest	2,941	1,713	2,129	1,772	5,070	3,485
Miscellaneous	5,038	7,065	9,031	63,600	14,069	70,665
Total Revenues	2,404,193	2,052,166	1,524,902	1,565,397	3,929,095	3,617,563
Expenses:						
General Government	236,007	207,213	-	-	236,007	207,213
Police	251,796	218,793	-	-	251,796	218,793
Fire	1,118,384	1,049,831	-	-	1,118,384	1,049,831
Public Works	285,680	183,134	-	-	285,680	183,134
Recreation	28,725	23,353	-	-	28,725	23,353
Water & Sewer	-	-	1,640,549	1,503,822	1,640,549	1,503,822
Interest Expense	-	-	15,989	11,937	15,989	11,937
Total Expenses	1,920,592	1,682,324	1,656,538	1,515,759	3,577,130	3,198,083
Excess (Deficiency) in						
Net Assets	483,601	369,842	(131,636)	49,638	351,965	419,480
Beginning Net Position	(176,561)	960,136	1,984,216	1,934,578	1,807,655	2,894,714
Prior Period Adjustment	-	(1,506,539)	-	-	-	(1,506,539)
Ending Net Position	307,040	(176,561)	1,852,580	1,984,216	2,159,620	1,807,655

Governmental Activities

Governmental activities increased the City of Dry Ridge's net position by \$483,601. The key element of this increase is that even though the City's expenditures were increased from FY 2014 to FY 2015 by \$227,656 and revenues have increased by \$352,027 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 decreased the City of Dry Ridge's net position by \$131,636. Key elements of this decrease in income are as follows.

- Expenses have increased in salaries and health insurance.

Financial Analysis of the Government's Funds

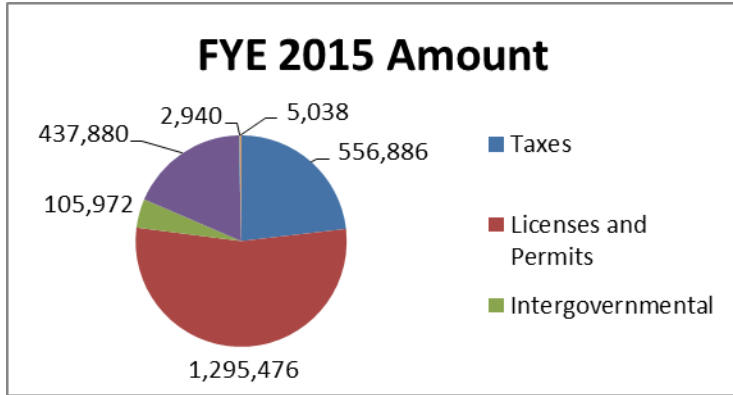
As noted earlier, the City of Dry Ridge uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

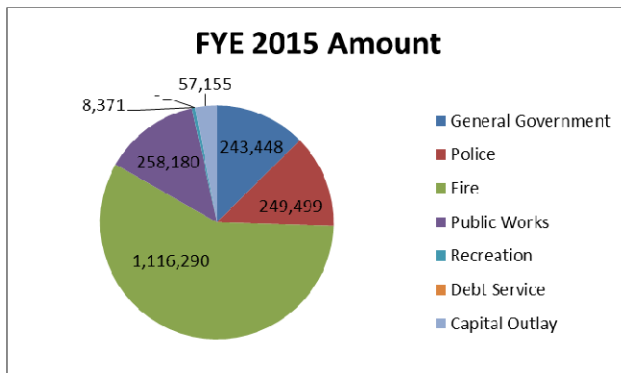
The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2015 Amount	Percent of Total	FYE 2014 Amount	Increase (Decrease) From FYE 14	Percent Increase (Decrease)
Taxes	\$ 556,886	23.16%	\$ 569,172	\$ (12,286)	-2.16%
Licenses and Permits	1,295,476	53.88%	976,212	319,264	32.70%
Intergovernmental	105,972	4.41%	155,698	(49,726)	-31.94%
Charges for Services	437,880	18.21%	342,306	95,574	27.92%
Interest	2,941	0.12%	1,713	1,228	71.69%
Miscellaneous	5,038	0.21%	7,065	(2,027)	-28.69%
Total Revenues	\$ 2,404,193	100.00%	\$ 2,052,166	\$ 352,027	



- 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 2015 Amount	Percent of Total	FYE 2014 Amount	Increase (Decrease) From FYE 15	Percent Increase (Decrease)
General Government	\$ 243,448	12.59%	\$ 204,894	\$ 38,554	18.82%
Police	249,499	12.91%	213,967	35,532	16.61%
Fire	1,116,290	57.75%	1,001,634	114,656	11.45%
Public Works	258,180	13.36%	164,900	93,280	56.57%
Recreation	8,371	0.43%	2,923	5,448	186.38%
Debt Service	-	0.00%	-	-	0.00%
Capital Outlay	57,155	2.96%	67,948	(10,793)	-15.88%
Total Expenditures	\$ 1,932,943	100.00%	\$ 1,656,266	\$ 276,677	



- Fire department expenditures increased this fiscal year about 11.45% due mainly to increases in workers compensation, unemployment, supplies, etc.
- All funds expenses increased due to increased payroll and added technical equipment

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 \$531,192. The total decrease in net position was \$131,636. 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, 2015, amounts to \$2,044,966 (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	
	2015	2014	2015	2014
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	306,726	-	-
Improvements	217,335	217,335	-	-
Vehicles	1,099,026	1,099,026	-	-
Equipment	1,047,057	989,901	305,363	281,003
Furniture & Fixtures	26,044	26,044	-	-
Totals	<u>\$ 3,344,003</u>	<u>3,286,847</u>	<u>\$ 4,365,301</u>	<u>\$ 4,340,941</u>

This year's major additions included:	Equipment	81,516
	Infrastructure	-
	Total	<u>\$ 81,516</u>

Additional information on the City of Dry Ridge's capital assets can be found in note D on pages 26-27.

Long-term Debt

At the end of the current fiscal year, the City of Dry Ridge had total debt outstanding of \$229,100. The City's total debt decreased by \$18,100 or 7 percent during the current fiscal year.

	Business-type		Totals	
	Activities			
	2015	2014	2014	2013
Bonds Payable	\$ 229,100	\$ 247,200	\$ 229,100	\$ 247,200
Notes Payable	-	-	-	-
Totals	<u>\$ 229,100</u>	<u>\$ 247,200</u>	<u>\$ 229,100</u>	<u>\$ 247,200</u>

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

GASB 68 Pension Liability Recognition

As of June 30, 2015, the city is required, by Governmental Accounting Standards Board Statement No. 68 to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the city is a participant. Due to this requirement, the 2014 Statement of Net Position above was restated by (\$1,506,539) to include the beginning balance of the net pension liability at June 30, 2014. The net pension liability \$1,545,165, the deferred outflow of resources, \$228,088, and the deferred inflow of resources, \$157,611, on the Statement of Net Position at June 30, 2015 are a function of this required reporting. Detailed information on this pension recognition can be found in note G in the Notes to the Financial Statements.

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.

James Wells

James Wells
Mayor

CITY OF DRY RIDGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 998,533	\$ 459,060	\$ 1,457,593
Receivables	381,414	292,031	673,445
Prepaid Insurance	7,349	3,917	11,266
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	1,047,057	305,363	1,352,420
Furniture & Fixtures	26,044	-	26,044
Less Accumulated Depreciation	(2,849,525)	(2,814,813)	(5,664,338)
Total Assets	<u>1,881,774</u>	<u>2,305,496</u>	<u>4,187,270</u>
Deferred Outflows Of Resources			
Pension Contributions for for fiscal year 2015	193,745	34,343	228,088
Total Assets and Deferred Outflow of Resources	<u>2,075,519</u>	<u>2,339,839</u>	<u>4,415,358</u>
Liabilities			
Current Liabilities:			
Accounts Payable	36,626	150,917	187,543
Accrued Liabilities	52,808	8,311	61,119
Customer Deposits	-	75,200	75,200
Noncurrent Liabilities:			
Due Within One Year	-	18,200	18,200
Due in More Than One Year	-	210,900	210,900
Net Pension Liability	1,545,165	-	1,545,165
Total Liabilities	<u>1,634,599</u>	<u>463,528</u>	<u>552,962</u>
Deferred Inflow of Resources			
Deferred inflow of resources related to pension	133,880	23,731	157,611
Total Liabilities and Deferred Inflow of Resources	1,768,479	487,259	2,255,738
Net Position			
Invested in Capital Assets, Net of Related Debt	494,478	1,321,388	1,815,866
Restricted For:			
Municipal Aid	19,119	-	19,119
Unrestricted	(206,557)	531,192	324,635
Total Net Position	<u>\$ 307,040</u>	<u>\$ 1,852,580</u>	<u>\$ 2,159,620</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, 2015

Functions/Programs: Primary: Government:	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
Governmental Activities:							
General Government	\$ 236,007	\$ -	\$ -	4,679	(231,328)	\$ -	(231,328)
Police	251,796	-	-	-	(251,796)	-	(251,796)
Fire	1,118,384	437,880	29,747	19,250	(631,507)	-	(631,507)
Streets	285,680	-	-	52,296	(233,384)	-	(233,384)
Recreation	28,725	-	-	-	(28,725)	-	(28,725)
Debt Service Interest	-	-	-	-	-	-	-
Total Governmental Activities	1,920,592	437,880	29,747	76,225	(1,376,740)	-	(1,376,740)
Business-type Activities:							
Water & Sewer	1,656,538	1,513,742	-	-	-	(142,796)	(142,796)
Total Business-type Activities	1,656,538	1,513,742	-	-	-	(142,796)	(142,796)
Total Primary Government	\$ 3,577,130	\$ 1,951,622	\$ 29,747	\$ 76,225	\$ (1,376,740)	\$ (142,796)	\$ (1,519,536)
General Revenues:							
Property Taxes					556,886	-	556,886
Payroll Tax					992,931	-	992,931
Insurance Tax					283,439	-	283,439
Other Licenses and Permits					19,106	-	19,106
Interest					2,941	2,129	5,070
Miscellaneous					5,038	9,031	14,069
Total General Revenues and Transfers					1,860,341	11,160	1,871,501
Change in Net Position					483,601	(131,636)	351,965
Net Position - Beginning					1,329,978	1,984,216	3,314,194
Prior Period Adjustment					(1,506,539)		
Restated Net Position - Beginning					(176,561)	1,984,216	3,314,194
Net Position - Ending					\$ 307,040	\$ 1,852,580	\$ 3,666,159

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY
BALANCE SHEET
June 30, 2015

	General Fund	Municipal Aid Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 979,414	\$ 19,119	\$ 998,533
Taxes Receivable	381,414	-	381,414
Prepaid Insurance	7,349	-	7,349
Total Assets	\$ 1,368,177	\$ 19,119	\$ 1,387,296
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 36,626	\$ -	\$ 36,626
Accrued Liabilities	52,808	-	52,808
Deferred Revenue	26,155	-	26,155
Total Liabilities	115,589	-	115,589
Fund Balances:			
Unassigned, Reported In:			
General Fund	1,252,588	-	1,252,588
Restricted, Reported In:			
Municipal Aid Fund	-	19,119	19,119
Total Fund Balances	1,252,588	19,119	1,271,707
Total Liabilities and Fund Balances	\$ 1,368,177	\$ 19,119	

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.	494,478
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	26,155
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(1,545,165)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore are not reportable in the funds	
Deferred outflow of resources	193,745
Deferred inflow of resources	(133,880)
Net assets of governmental activities.	\$ 307,040

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, 2015

	General Fund	Municipal Aid Fund	Total Governmental Funds
Revenues			
Taxes	\$ 556,886	\$ -	\$ 556,886
Licenses and Permits	1,295,476	-	1,295,476
Intergovernmental	53,676	52,296	105,972
Charges for Services	437,880	-	437,880
Interest	2,761	180	2,941
Miscellaneous	5,038	-	5,038
Total Revenues	2,351,717	52,476	2,404,193
Expenditures			
Current:			
General Government	243,448	-	243,448
Police	249,499	-	249,499
Fire	1,116,290	-	1,116,290
Public Works	192,180	66,000	258,180
Recreation	8,371	-	8,371
Capital Outlay	57,155	-	57,155
Total Expenditures	1,866,943	66,000	1,932,943
Excess (Deficiency) of Revenues Over (Under) Expenditures	484,774	(13,524)	471,250
Net Change in Fund Balances	484,774	(13,524)	471,250
Fund Balances - Beginning	767,814	32,643	800,457
Fund Balances - Ending	\$ 1,252,588	\$ 19,119	\$ 1,271,707

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, 2015
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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 15)	\$	471,250
<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		57,155
Depreciation		<u>(71,366)</u>
		(14,211)
<p>Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense</p>		
City pension contributions		193,745
Cost of benefits earned		<u>(172,505)</u>
		21,240
<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		5,322
Delinquent revenues already recognized		<u>-</u>
		<u>5,322</u>
Change in net assets of governmental activities	\$	<u><u>483,601</u></u>

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2015

Assets	Business Type Activities
Current Assets:	
Cash and Cash Equivalents	\$ 459,060
Accounts Receivable	292,031
Prepaid Expenses	3,917
Total Current Assets	755,008
 Noncurrent Assets:	
Capital Assets:	
Land	2,000
Buildings	74,561
Utility System	3,983,377
Equipment	305,363
Less Accumulated Depreciation	(2,814,813)
Total Capital Assets (Net of Accumulated Depreciation)	1,550,488
Total Noncurrent Assets	1,550,488
 Total Assets	 2,305,496
Deferred Outflows	34,343
Total Assets including Deferred Outflows	2,339,839
 Liabilities	
Current Liabilities:	
Accounts Payable	150,917
Accrued Liabilities	8,311
Customer Deposits	75,200
Bonds Payable - Current	18,200
Total Current Liabilities	252,628
 Noncurrent Liabilities:	
Bonds Payable	210,900
Total Noncurrent Liabilities	210,900
 Total Liabilities	 463,528
Deferred Inflows	23,731
Total Liabilities including Deferred Inflows	487,259
 Net Position	
Invested in Capital Assets, Net of Related Debt	1,321,388
Unrestricted	531,192
Total Net Position	\$ 1,852,580

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, 2015
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	Business Type
	Activities
Operating Revenues:	
Sewer Service	\$ 935,982
Water Service	509,361
Water Station	6,483
Waste Collection	53,477
Water Penalties	8,439
Miscellaneous	9,031
Total Operating Revenues	<u>1,522,773</u>
Operating Expenses:	
Cost of Sales and Services	1,531,604
Depreciation	108,945
Total Operating Expenses	<u>1,640,549</u>
Operating Income (Loss)	(117,776)
Nonoperating Revenues (Expenses):	
Interest Income	2,129
Interest Expense	(15,989)
Total Nonoperating Revenues (Expenses)	<u>(13,860)</u>
Income (Loss) Before Contributions	(131,636)
Change in Net Position	<u>(131,636)</u>
Total Net Position - Beginning	1,984,216
Total Net Position - Ending	<u>\$ 1,852,580</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, 2015

	Business Type Activities
Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,518,902
Payments to Suppliers	(1,273,144)
Payments to Employees	(248,077)
Net Cash Provided (Used) by Operating Activities	<u>(2,319)</u>
Cash Flows from Capital and Related Financing Activities	
Capital Contributions	-
Purchases of Capital Assets	(24,360)
Principal Paid on Capital Debt	(18,100)
Interest Paid on Capital Debt	(15,989)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(58,449)</u>
Cash Flows from Investing Activities	
Interest Income	2,129
Net Cash Provided (Used) by Investing Activities	<u>2,129</u>
Net Increase in Cash	<u>(58,639)</u>
Cash - Beginning of Period	517,699
Cash - End of Period	\$ <u><u>459,060</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (117,776)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	108,945
(Increase) Decrease in Accounts Receivable	(12,771)
(Increase) Decrease in Prepaid Insurance	1,372
Increase (Decrease) in Accounts Payable	25,229
Increase (Decrease) in Accrued Liabilities	(5,606)
Increase (Decrease) in Customer Deposits	8,900
Increase (Decrease) in Due to Other Funds	-
Total Adjustments	<u>126,069</u>
Net Cash Provided by Operating Activities	\$ <u><u>8,293</u></u>

The accompanying Notes are an integral part of these financial statements

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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 \$19,119.

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.

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, 2015

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 propriety 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, 2015

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 on next page). Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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, 2015

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, 2015

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 at the amount of \$1,457,593 with securities held by an agent of the City in the City's name.

As of June 30, 2015 the City had cash and cash equivalents of \$1,457,593.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Retirements/ Reclassifications	Balance June 30, 2015
Governmental Activities				
Land	\$ 80,000	-	-	\$ 80,000
Buildings	567,815	-	-	567,815
Improvements	217,335	-	-	217,335
Infrastructure	306,726	-	-	306,726
Vehicles	1,099,027	-	-	1,099,027
Equipment	989,901	57,155	-	1,047,057
Furniture & Fix.	26,043	-	-	26,043
Subtotal	<u>3,286,847</u>	<u>57,155</u>	<u>-</u>	<u>3,344,002</u>
Accumulated Depreciation				
Land	-	-	-	-
Buildings	(449,964)	(6,304)	-	(456,269)
Improvements	(164,751)	(21,200)	-	(185,952)
Infrastructure	(80,023)	(11,617)	-	(91,640)
Vehicles	(1,091,971)	(7,055)	-	(1,099,027)
Equipment	(966,829)	(23,766)	-	(990,595)
Furniture & Fix.	(26,043)	-	-	(26,043)
Subtotal	<u>(2,779,583)</u>	<u>(69,943)</u>	<u>-</u>	<u>(2,849,525)</u>
Net Capital Assets	<u>\$ 507,264</u>			<u>\$ 494,477</u>

Depreciation was charged to functions as follows:

General Government	-
Police	4,826.21
Fire	24,108.94
Streets & Highways	22,076.60
Parks	20,353.99
Total Governmental Activities Depreciation	<u>\$ 71,365.74</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

	Balance June 30, 2014	Additions	Retirements/ Reclassifications	Balance June 30, 2015
Business-Type Activities				
Land	\$ 2,000			\$ 2,000
Buildings	74,561			74,561
Improvements	3,983,377	-		3,983,377
Equipment	281,003	24,360		305,363
Subtotal	<u>4,340,941</u>	<u>24,360</u>	<u>-</u>	<u>4,365,301</u>
Accumulated Depreciation				
Land	-			
Buildings	(14,427)	(1,864)		(16,291)
Improvements	(2,446,610)	(88,520)		(2,535,130)
Equipment	(244,831)	(18,562)		(263,392)
Subtotal	<u>(2,705,868)</u>	<u>(108,945)</u>	<u>-</u>	<u>(2,814,813)</u>
Net Capital Assets	<u>\$ 1,635,073</u>			<u>\$ 1,550,488</u>

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.

Date of Issuance	Interest Rate	Maturity Date	Balance 06/30/2015
07/01/1993	5.200%	07/01/2016	\$ 45,000
09/25/2003	3.500%	01/01/2043	<u>184,100</u>
			<u>\$ 229,100</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Year ended June 30,	KIA BOND		RURAL DEVELOPMENT	
	Principal	Interest	Principal	Interest
2016	15,000	4,680	3,100	6,752
2017	15,000	3,900	3,200	6,654
2018	15,000	3,120	3,300	6,552
2019	-	-	3,400	6,444
2020-2025	-	-	22,000	33,372
2026-2030	-	-	23,600	37,811
2031-2035	-	-	30,000	32,852
2036-2040	-	-	37,900	26,561
2041-2043	-	-	57,600	18,853
Total	<u>45,000</u>	<u>11,700</u>	<u>184,100</u>	<u>175,851</u>

During the year ended June 30, 2015, the following changes occurred in Utility long-term debt:

	June 30, 2014	Additions	Reductions	June 30, 2015
Bonds Payable	\$ <u>247,200</u>	\$ <u>-</u>	\$ <u>(18,100)</u>	\$ <u>229,100</u>
Totals	\$ <u>247,200</u>	\$ <u>-</u>	\$ <u>(18,100)</u>	\$ <u>229,100</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.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, 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 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, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2015 was 17.67% 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, 2015, 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, 2015, participating employers contributed 34.31% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2015 was 34.31% 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>
2015	\$ 228,088	100%
2014	\$ 223,679	100%
2013	\$ 236,632	100%

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Membership in CERS consisted of the following in June 30, 2014

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	46,112	6,006	52,118
Inactive members	70,231	2,038	72,269
Active plan members	82,494	9,189	91,683
	<u>198,837</u>	<u>17,233</u>	<u>216,070</u>
 Number of participating employers			 <u>1,137</u>

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort Kentucky, 40601

At June 30, 2015, the city reported a liability of \$1,545,165 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's employer allocation proportion was 0.093178% of the total CERS hazardous duty employees. For the year ended June 30, 2015, the City recognized pension expense of \$196,236. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of resources</u>	<u>Deferred Inflow of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 157,611.00
City contributions subsequent to the measurement date	228,088	-
	<u>\$ 228,088</u>	<u>\$ 157,611</u>

The \$228,088 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Net Deferral</u>
2016	\$ 39,400
2017	39,400
2018	39,400
2019	39,411
	<u>\$ 157,611</u>

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005-June 30, 2008
Actuarial Cost Method	Entry age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan expense, incl. inf

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and the beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 Hazardous & Non-Hazardous Target Allocation	Estimated Target Rate of Return
US Equity	20.0%	10.1%
Non US Equity	20.0%	9.8%
Emerging Market Equity	4.0%	6.1%
Fixed Income	19.0%	4.2%
Real Return	10.0%	2.2%
Real Estate	5.0%	11.3%
Absolute Return	10.0%	5.4%
Private Equity	10.0%	14.0%
Cash Equivalents	2.0%	0.0%
Total	<u>100.0%</u>	
Weighted Average		<u>7.75%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earning were calculated using the long-term assumed investment return of the 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability. The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience of changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5 year period.

Plan Fiduciary Net Position

The plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

CITY OF DRY RIDGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 except one, there is a lawsuit in Federal court involving the violation of the civil rights of a citizen that was arrested on city property. The City's Attorney feels that the city will have a favorable outcome.

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, 2015, 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.

NOTE J- RESTATEMENT/PRIOR PERIOD ADJUSTMENT

As of June 30, 2015, the city is required, by Governmental Accounting Standards Board Statement No. 68 to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the city is a participant. Due to this requirement, the 2014 Statement of Net Position above was restated by (\$1,506,539) to include the beginning balance of the net pension liability at June 30, 2014.

NOTE K- SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2015, 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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 494,500	\$ 494,500	\$ 556,886	\$ 62,386
Licenses and Permits	604,000	604,000	1,295,476	691,476
Intergovernmental	55,300	55,300	53,676	(1,624)
Charges for Services	318,500	318,500	437,880	119,380
Interest	4,000	4,000	2,761	(1,239)
Miscellaneous	1,000	1,000	5,038	4,038
Total Revenues	<u>1,477,300</u>	<u>1,477,300</u>	<u>2,351,717</u>	<u>874,417</u>
Expenditures				
Current:				
General Government	248,000	248,000	243,448	4,552
Police	233,350	233,350	249,499	(16,149)
Fire	1,028,000	1,028,000	1,116,290	(88,290)
Public Works	157,200	157,200	192,180	(34,980)
Recreation	5,500	5,500	8,371	(2,871)
Debt Service:		-		
Principal	28,000	28,000	-	28,000
Interest	3,400	3,400	-	3,400
Capital Outlay	-	-	57,155	(57,155)
Total Expenditures	<u>1,703,450</u>	<u>1,703,450</u>	<u>1,866,943</u>	<u>(163,493)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(226,150)	(226,150)	484,774	710,924
Net Change in Fund Balances	<u>(226,150)</u>	<u>(226,150)</u>	<u>484,774</u>	<u>710,924</u>
Fund Balances - Beginning	<u>767,814</u>	<u>767,814</u>	<u>767,814</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 541,664</u>	<u>\$ 541,664</u>	<u>\$ 1,252,588</u>	<u>\$ 710,924</u>

CITY OF DRY RIDGE, KENTUCKY
MUNICIPAL ROAD AID FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<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	\$ 52,296	\$ (54,504)
Interest	-	-	180	180
Total Revenues	<u>106,800</u>	<u>106,800</u>	<u>52,476</u>	<u>(54,324)</u>
Expenditures				
Public Works	15,652	15,652	66,000	(50,348)
Capital Outlay	67,948	67,948	-	67,948
Total Expenditures	<u>83,600</u>	<u>83,600</u>	<u>66,000</u>	<u>17,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,200	23,200	(13,524)	(36,724)
Net Change in Fund Balances	23,200	23,200	(13,524)	(36,724)
Fund Balances - Beginning	<u>32,643</u>	<u>32,643</u>	<u>32,643</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 55,843</u>	<u>\$ 55,843</u>	<u>\$ 19,119</u>	<u>\$ (36,724)</u>

Fossett & Associates, CPA

4224 Dixie Highway

Erlanger, KY 41018

859-283-9393

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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**

October 27, 2015

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, 2015, 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 October 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-1). 2015-1 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
October 27, 2015

City of Dry Ridge
Schedule of Findings
& Responses
F.Y.E. June 30, 2015

Significant Deficiencies:

2015-1

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 has hired two additional employees in the clerk's office.