

CITY OF DAYTON, KENTUCKY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

**CITY OF
 DAYTON, KENTUCKY**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Dayton, KY

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the City of Dayton KY, as of and for the year ended June 30, 2016, 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 did not audit the financial statements of The Bellevue Dayton Fire Department, which represent 2 percent of the net position of the City of Dayton. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, as far as it relates to the amounts included for The Bellevue Dayton Fire Department, is based solely on the report of the other auditors. 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, each major fund, and the aggregate remaining fund information of the City of Dayton, KY, as of June 30, 2016, and the respective changes in financial position 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 3-8 and 27-31 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 May 15, 2017, on our consideration of the City of Dayton, 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 Dayton, KY's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

May 15, 2017



Management's Discussion and Analysis

As management of the City of Dayton, Kentucky, we offer readers of the City of Dayton's financial statements this narrative overview and analysis of the financial activities of the City of Dayton for the fiscal year ended June 30, 2016.

Financial Highlights

The assets of the City of Dayton exceeded its liabilities at the close of the most recent fiscal year by \$4,706,666 (net position). Of this amount, \$1,239,761 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$221,352 in this fiscal year.

As of the close of the current fiscal year, the City of Dayton's governmental funds reported combined ending fund balances of \$3,165,640, an increase of \$79,500 in comparison with the prior year. At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,225,026, or 68 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Dayton's basic financial statements. The City of Dayton's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Dayton's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the City of Dayton'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 Dayton 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).

The governmental activities of the City of Dayton include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation.

The government-wide financial statements can be found on pages 9-10 of this report.

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 Dayton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Dayton can be classified in one category: governmental 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 Dayton maintains six 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, Municipal aid, and the urban renewal, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Dayton adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided for the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

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.

Other Information

The schedules of revenues, expenditures, and changes in fund balances – budget vs. actual and combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

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 Dayton, assets exceeded liabilities by \$4,706,666 at the close of the most recent fiscal year.

By far the largest portion of the City of Dayton's net position (69 percent) reflects its investment in capital assets (e.g., land, buildings, roads, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Dayton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Dayton'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.

Net Position

	Governmental Activities	
	2016	2015
Current & Other Assets	\$ 4,057,305	\$ 3,996,211
Capital Assets	3,231,341	3,082,996
Total Assets	<u>7,288,646</u>	<u>7,079,207</u>
Deferred Outflows	330,896	233,835
Total Assets and Deferred Outflows	<u>7,619,542</u>	<u>7,313,042</u>
Long-term Liabilities	\$ 2,897,106	\$ 2,502,160
Other Liabilities	15,770	75,437
Total Liabilities	<u>2,912,876</u>	<u>2,577,597</u>
Deferred Inflows	-	165,536
Total Liabilities and Deferred Inflows	<u>2,912,876</u>	<u>2,743,133</u>
Net Position:		
Invested in Capital, net of Related Debt	\$ 3,231,341	\$ 3,082,996
Restricted	235,564	239,669
Unrestricted	1,239,761	1,247,244
Total Net Position	<u>\$ 4,706,666</u>	<u>\$ 4,569,909</u>

A portion of the City of Dayton's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,239,761 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Dayton is able to report positive balances in all three categories of net position.

The City of Dayton's net position increased by \$221,352 during the current fiscal year.

Changes in Net position

<u>Revenues</u>	<u>2015</u>	<u>2016</u>	<u>% of Total</u>	<u>\$ Increase (Decrease) from 2015</u>
Program Revenues:				
Charges for Services	\$ 395,881	\$ 401,420	11%	\$ 5,539
Operating Grants & Contributions	181,368	285,601	8%	104,233
Capital Grants & Contributions	-	-		
General Revenues:				
Property Taxes	1,634,483	1,497,491	41%	(136,992)
Payroll Tax	514,343	540,436	15%	26,093
Insurance Tax	537,231	569,383	16%	32,152
Licenses	158,220	149,349	4%	(8,871)
Fines	39,998	41,359	1%	1,361
Recreation	927	1,556	0%	629
Interest	33,145	11,704	0%	(21,441)
Miscellaneous	158,620	146,427	4%	(12,193)
Investment in Joint Venture	(1,043,874)	-	0%	1,043,874
Gain (Loss) on Sale of Assets	66,147	12,840	0%	(53,307)
Total Revenues	\$ 2,676,489	\$ 3,657,566		\$ 981,077
Expenses				
General Government	\$ 410,388	\$ 460,017	13%	\$ 49,629
Police	994,185	1,066,240	29%	72,055
Fire	844,920	929,192	25%	84,272
Public Works	512,370	303,049	8%	(209,321)
Building Service	68,709	48,693	1%	(20,016)
Waste Collection	258,799	271,768	7%	12,969
Recreation	33,301	37,818	1%	4,517
Professional Fees	212,446	215,725	6%	3,279
Main Street	63,960	57,831	2%	(6,129)
Urban Redevelopment	67,877	45,881	1%	(21,996)
Total Expenses	\$ 3,466,955	\$ 3,436,214		\$ (30,741)
Change in Net Position	\$ (790,466)	\$ 221,352		

- Property taxes decreased due to a slight decrease in collections.
- Operating Grants & Contributions increased due to a large one-time grant from Campbell County in the current fiscal year.
- Losses from the joint venture in the previous year comes from requirement to record pension liabilities for the Bellevue-Dayton Fire Department.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City of Dayton'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 Dayton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Dayton's governmental funds reported combined ending fund balances of \$3,165,640 an increase of \$79,500 in comparison with the prior year. Approximately 70 percent of this total amount (\$2,225,026) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Dayton. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,225,026. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 68 percent of total general fund expenditures.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2015</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>	<u>\$ Increase (Decrease from 2015</u>
General Revenues:					
Taxes	\$ 1,467,018	42.1%	\$ 1,456,230	40.4%	\$ (10,788)
Licenses & Permits	1,209,794	34.7%	1,259,168	34.9%	49,374
Intergovernmental	181,368	5.2%	285,601	7.9%	104,233
Charges for Services	395,881	11.4%	401,420	11.1%	5,539
Fines & Forfeitures	39,998	1.1%	41,359	1.1%	1,361
Recreation	927	0.0%	1,556	0.0%	629
Interest	33,145	1.0%	11,704	0.3%	(21,441)
Miscellaneous	158,620	4.5%	146,427	4.1%	(12,193)
Total Revenues	\$ 3,486,751		\$ 3,603,465		\$ 116,714
Expenses					
General Government	\$ 367,717	10.1%	\$ 362,800	9.9%	\$ (4,917)
Police	993,154	27.2%	1,033,242	28.2%	40,088
Fire	844,920	23.1%	929,192	25.4%	84,272
Public Works	504,313	13.8%	258,398	7.1%	(245,915)
Building Service	68,709	1.9%	48,693	1.3%	(20,016)
Waste Collection	258,799	7.1%	271,768	7.4%	12,969
Recreation	26,281	0.7%	29,775	0.8%	3,494
Professional Fees	212,446	5.8%	215,725	5.9%	3,279
Main Street	63,960	1.7%	57,831	1.6%	(6,129)
Urban Redevelopment	59,678	1.6%	45,881	1.3%	(13,797)
Capital Outlay	35,100	1.0%	279,462	7.6%	244,362
Total Expenses	\$ 3,435,077		\$ 3,532,767		\$ 97,690

- Public works expense decreased due to more Public Works expenses put to Capital Outlay when compared to previous years which also in turn made Capital Outlay expense increase.
- Intergovernmental Revenue increased in the current fiscal year compared to the previous year due to a one-time grant received by Campbell County in the Municipal Aid Fund.

Capital Asset and Debt Administration

Capital Assets

The City of Dayton's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$5,039,952. This investment in capital assets includes land, buildings, roads, vehicles, equipment, and furniture.

Capital Assets

	Governmental Activities	
	2016	2015
Land	\$ 1,465,784	\$ 1,465,784
Investment in Joint Venture	-	-
Buildings	1,029,924	1,029,924
Infrastructure	1,800,986	1,585,077
Improvements	41,470	41,470
Vehicles	389,773	328,956
Equipment	231,566	231,566
Furniture & Fixtures	80,449	77,712
Total	<u>\$ 5,039,952</u>	<u>\$ 4,760,489</u>

This year's major Additions/Deletions included:

Infrastructure Additions	\$ 215,909
Vehicle Additions	60,817
Furniture & Fixtures Additions	2,737
	<u>\$ 279,463</u>

Additional information on the City of Dayton's capital assets can be found in note IV on page 19 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

City Council passed an original budget for 2015-2016, and did not revise that budget. Actual revenues were \$20,226 less than budgeted amounts. Taxes were \$105,013 more than budget due to increased collections. Miscellaneous revenues were \$311,641 less than budget primarily because some grants were originally budgeted in this revenue line item.

Actual expenditures were \$424,680 less than budgeted amounts. The most significant variances were in professional services. Professional services were \$241,140 less than budget in part because the costs of the miscellaneous revenue grant expenses were budgeted here.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has experienced slightly increasing revenues and rising operating costs. Personal property tax revenues, tangible taxes, payroll taxes and occupational license taxes have all increased slightly in the past year, and the City anticipates that trend to continue.

The expenditures for the General Fund include above average increases in insurance and retirement costs. These increases are driven by outside economic factors beyond the City's control. The City has responded to these increases in certain expenditures by reducing budgeted expenditures in other areas.

The budget for infrastructure projects includes street replacement projects and urban renewal projects as the City continues to annually invest in these areas. The City has adequate contingency funds to address any non-catastrophic unforeseen conditions and events. The fiscal year 2016-2017 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2016-2017 approximate projected revenues, and the City continues to monitor budget variances on an ongoing basis and to respond appropriately.

Requests for Information

This financial report is designed to provide a general overview of the City of Dayton'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 Donna Leger at 514 Sixth Avenue, Dayton, KY 41074.

Michael Giffen

Michael Giffen
City Administrator

CITY OF DAYTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government	
	Governmental Activities	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 3,150,492	\$ 3,150,492
Accounts Receivable	142,274	142,274
Notes Receivable	764,539	764,539
Capital Assets:		
Land	1,465,784	1,465,784
Buildings	1,029,924	1,029,924
Infrastructure	1,800,986	1,800,986
Improvements	41,470	41,470
Vehicles	389,773	389,773
Equipment	231,566	231,566
Furniture & Fixtures	80,449	80,449
Less Accumulated Depreciation	(1,808,611)	(1,808,611)
Total Assets	7,288,646	7,288,646
Deferred Outflows of Resources		
Pension Contributions for fiscal year 2016	330,896	330,896
Total Assets and Deferred Outflows of Resources	7,619,542	7,619,542
Liabilities		
Current Liabilities:		
Accounts Payable	10,618	10,618
Accrued Liabilities	2,957	2,957
Deposits	2,195	2,195
Noncurrent Liabilities:		
Investment in Joint Venture	889,407	889,407
Net Pension Liability	2,007,699	2,007,699
Total Liabilities	2,912,876	2,912,876
Deferred Inflow of Resources		
Deferred inflow of resources related to pension	-	-
Total Liabilities and Deferred Inflow of Resources	2,912,876	2,912,876
Net Position		
Invested in Capital Assets, Net of Related Debt	3,231,341	3,231,341
Restricted for:		
Municipal Aid	235,564	235,564
Unrestricted	1,239,761	1,239,761
Total Net Position	\$ 4,706,666	\$ 4,706,666

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

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	Primary Government	Total
Governmental Activities:						
General Government	\$ 460,017	\$ -	\$ -	\$ -	\$(460,017)	\$(460,017)
Police	1,066,240	-	54,336	-	(1,011,904)	(1,011,904)
Fire	929,192	-	-	-	(929,192)	(929,192)
Public Works	303,049	-	-	-	(303,049)	(303,049)
Building Service	48,693	-	-	-	(48,693)	(48,693)
Waste Collection	271,768	394,620	-	-	122,852	122,852
Recreation	37,818	-	-	-	(37,818)	(37,818)
Professional Services	215,725	-	-	-	(215,725)	(215,725)
Main Street	57,831	-	231,265	-	(57,831)	(57,831)
Urban Redevelopment	45,881	6,800	-	-	192,184	192,184
Interest Expense	-	-	-	-	-	-
Total Governmental Activities	3,436,214	401,420	285,601	-	(2,749,193)	(2,749,193)
Total Primary Government	3,436,214	401,420	285,601	-	(2,749,193)	(2,749,193)

General Revenues:					
Property Taxes	1,497,491				1,497,491
Payroll Tax	540,436				540,436
Insurance Tax	569,383				569,383
Licenses	149,349				149,349
Fines	41,359				41,359
Recreation	1,556				1,556
Interest	11,704				11,704
Gain (loss) on disposition of Property	12,840				12,840
Investment in Fire department Bellevue Dayton LLC	-				-
Miscellaneous	146,427				146,427
Total General Revenues	2,970,545				2,970,545
Change in Net Position	221,352				221,352
Net Position - Beginning	4,569,909				4,569,909
Prior Period Adjustment	(84,595)				(84,595)
Net Position - Beginning as Restated	4,485,314				4,485,314
Net Position - Ending	4,706,666				4,706,666

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Municipal Aid	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,206,415	\$ 235,564	\$ 604,641	\$ 103,872	\$ 3,150,492
Accounts Receivable	142,274	-	-	-	142,274
Notes Receivable	-	-	764,539	-	764,539
Total Assets	\$ 2,348,689	\$ 235,564	\$ 1,369,180	\$ 103,872	\$ 4,057,305
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 7,155	\$ -	\$ 1,536	\$ 1,927	\$ 10,618
Accrued Liabilities	2,957	-	-	-	2,957
Deposits	2,195	-	-	-	2,195
Deferred Revenue	111,356	-	764,539	-	875,895
Total Liabilities	123,663	-	766,075	1,927	891,665
Fund Balances:					
Reserved:					
Municipal Aid	-	235,564	-	-	235,564
Unassigned, Reported in:					
General Fund	2,225,026	-	-	-	2,225,026
Special Revenue Funds	-	-	603,105	101,945	705,050
Total Fund Balances	2,225,026	235,564	603,105	101,945	3,165,640
Total Liabilities and Fund Balances	\$ 2,348,689	\$ 235,564	\$ 1,369,180	\$ 103,872	\$ 4,057,305

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,231,341
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	875,895
Other long-term liabilities not payable in the current period are not expensed in the funds	
Investment in Joint Venture	(889,407)
Net Pension Liability	(2,007,699)
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	330,896
Deferred inflow of resources	-
Net assets of governmental activities.	\$ 4,706,666

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Municipal Aid</u>	<u>Urban Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 1,359,013	\$ -	\$ -	\$ 97,217	\$ 1,456,230
Licenses and Permits	1,259,168	-	-	-	1,259,168
Intergovernmental	54,336	231,265	-	-	285,601
Charges for Services	394,620	-	6,800	-	401,420
Fines and Forfeitures	41,359	-	-	-	41,359
Recreation	-	-	-	1,556	1,556
Interest	7,842	1,255	2,226	381	11,704
Miscellaneous	134,541	-	11,886	-	146,427
Total Revenues	<u>3,250,879</u>	<u>232,520</u>	<u>20,912</u>	<u>99,154</u>	<u>3,603,465</u>
Expenditures					
Current:					
General Government	362,800	-	-	-	362,800
Police	1,033,242	-	-	-	1,033,242
Fire	929,192	-	-	-	929,192
Public Works	258,177	221	-	-	258,398
Building Service	48,693	-	-	-	48,693
Waste Collection	271,768	-	-	-	271,768
Recreation	-	-	-	29,775	29,775
Professional Services	215,725	-	-	-	215,725
Main Street	57,831	-	-	-	57,831
Urban Redevelopment	-	-	45,881	-	45,881
Capital Outlay	<u>73,058</u>	<u>206,404</u>	<u>-</u>	<u>-</u>	<u>279,462</u>
Total Expenditures	<u>3,250,486</u>	<u>206,625</u>	<u>45,881</u>	<u>29,775</u>	<u>3,532,767</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	393	25,895	(24,969)	69,379	70,698
Other Financing Sources (Uses)					
Transfers In	92,855	-	-	34,362	127,217
Transfers Out	-	(30,000)	-	(97,217)	(127,217)
Sale of Property	-	-	8,802	-	8,802
Total Other Financing Sources (Uses)	<u>92,855</u>	<u>(30,000)</u>	<u>8,802</u>	<u>(62,855)</u>	<u>8,802</u>
Net Change in Fund Balances	93,248	(4,105)	(16,167)	6,524	79,500
Fund Balances - Beginning	<u>2,131,778</u>	<u>\$ 239,669</u>	<u>\$ 619,272</u>	<u>\$ 97,405</u>	<u>3,088,124</u>
Fund Balances - Ending	<u>\$ 2,225,026</u>	<u>\$ 235,564</u>	<u>\$ 603,105</u>	<u>\$ 103,929</u>	<u>\$ 3,167,624</u>

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental fund	\$ 79,500
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.	148,345
The net effect of various miscellaneous transactions involving assets (Le., sales, trade-ins donations) is to decrease net assets.	4,037
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	
City pension contributions	148,858
Cost of benefits earned	(200,649)
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.	41,261
Change in net assets of governmental activities.	\$ 221,352

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dayton, 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.

Reporting Entity

The City of Dayton 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 assets and the statement of changes in net assets) report information on all 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 or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the City are reported as a reduction of the related liability, rather than as 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. 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 DAYTON, 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 funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The debt service funds are used to account for amounts that are restricted for payment of the city's debt.

Since the City of Dayton 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.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Banker's acceptances.
4. Commercial paper.
5. Bonds of other states or local governments.
6. Mutual funds

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Property Tax Receivable

Property taxes are levied as of October 1 on property values assessed on January 1. The billings are considered past due 30 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".

Capital Assets

Capital assets are those assets having an initial cost of \$500 or more and an estimated useful life in excess of one year. These assets are reported in the government-wide statement of net assets.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds. 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.

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	40 years
Improvements	15 years
Vehicles	5 years
Machinery & Equipment	7 years
Furniture & Fixtures	7 years

Notes Receivable

Amounts reported as notes receivable in the Urban Renewal Fund represent amounts due from Citizens for the Pilot Rehab Loan.

Since the amounts receivable from these notes are not available for appropriation offsetting deferred revenue is reported in those funds.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

Fund Equity

Net assets are the difference between assets and liabilities. Net assets 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. Designations of fund balance represent tentative management plans that are subject to change.

Revenues, Expenditures, and Expenses

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.

A summary of Inter-fund transfers is as follows:

	Transfers To:		
	<u>General</u> Fund	<u>Park</u> Board	<u>Total</u>
Transfers From:			
General Fund	\$ -	\$ -	\$ -
Municipal Aid	30,000	-	30,000
Park Tax	62,855	34,362	97,217
Total	\$ 92,855	\$ 34,362	\$ 127,217

Transfers from Municipal aid were to reflect road repairs paid for by the General Fund. Transfer from Park Tax is an annual transfer.

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.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

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

1. 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.
2. A public meeting is conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the fund level. Any amendments to the budget that would change fund level totals must be approved by the City Council. During the year, the City Council adopted one supplementary appropriations ordinance.

III – 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 \$3,150,492 with securities held by an agent of the City in the City's name.

As of June 30, 2016, the City had cash and cash equivalents of \$3,150,492.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

IV – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletion	Balance June 30, 2016
Governmental				
Land	\$ 1,465,784	\$ -	\$ -	\$ 1,465,784
Buildings	1,029,924	-	-	1,029,924
Infrastructure	1,585,077	215,909	-	1,800,986
Improvements	41,470	-	-	41,470
Vehicles	328,956	60,817	-	389,773
Equipment	231,566	-	-	231,566
Furniture	77,712	2,737	-	80,449
Subtotal	<u>4,760,489</u>	<u>279,462</u>	<u>-</u>	<u>5,039,951</u>
Accum Dep				
Land	-	-	-	-
Buildings	(824,170)	(8,248)	-	(832,418)
Infrastructure	(367,398)	(60,231)	-	(427,629)
Improvements	(23,215)	(2,765)	-	(25,980)
Vehicles	(246,626)	(34,840)	-	(281,466)
Equipment	(142,576)	(22,984)	-	(165,560)
Furniture	(73,508)	(2,050)	-	(75,558)
Subtotal	<u>(1,677,493)</u>	<u>(131,118)</u>	<u>-</u>	<u>(1,808,611)</u>
Net Capital Assets	<u>\$ 3,082,996</u>			<u>\$ 3,231,341</u>

Depreciation was charged to functions as follows:

General Government	\$ 45,426
Police	32,998
Public Works	44,651
Recreation	8,043
Total Government activities depreciation expense	<u>\$ 131,118</u>

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

V – 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.

VI – EMPLOYEE RETIREMENT SYSTEM

The City's eligible employees are covered by the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five year's service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Retirement is based on a factor of the number of year's service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Contributions

For non-hazardous duty employees, the City contributed 17.06%, of which 12.42% was for the pension fund and 4.64% was for the health insurance fund, of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2016. For hazardous duty employees, the City contributed 32.95%, of which 20.26% was for the pension fund and 12.69% was for the health insurance fund, of the hazardous duty employee's compensation during the fiscal year ended June 30, 2016.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$62,342, of which \$45,386 was for the pension fund and \$16,956 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$168,283 of which \$103,472 was for the pension fund and \$64,811 was for the health insurance fund.

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

At June 30, 2016, the City reported a liability of \$2,007,698 (\$706,528 – non-hazardous and \$1,301,170 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's non-hazardous employer allocation proportion was 0.016433% of the total CERS non-hazardous duty employees and 0.084761% of the total CERS hazardous duty employees. For the year ended June 30, 2016, the City recognized pension expense of \$191,869.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

At June 30, 2016, 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>
Differences between expected and actual experience	\$ 34,133	\$ -
Net difference between projected and actual earnings on plan investments	14,504	-
Changes of assumptions	183,688	-
Changes in proportion and differences between City contributions and proportionate share of contributions	9,185	63,304
City contributions subsequent to the measurement date	<u>148,858</u>	<u>-</u>
Total	<u>\$ 390,368</u>	<u>\$ 63,304</u>

In FY 2016, \$390,368 was recognized as a net deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, and d) contributions subsequent to the measurement date and there were \$63,304 recognized as a net deferred inflow of resources.

The City's contributions subsequent to the measurement date of \$148,858 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Net Deferral</u>
2017	47,976
2018	47,976
2019	31,129
2020	51,125
	<u>\$ 178,206</u>

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
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	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1-year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Changes of Assumptions

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to reflect experience more accurately.

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	Long Term Expected Nominal Return
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Discount Rate		City's Proportionate Share of Net Pension Liability
1% decrease	6.5%	\$	2,567,513
Current discount rate	7.5%		2,007,698
1% increase	8.5%		1,538,430

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.

VII – CONTINGENT LIABILITIES

The City, due to its relationship with the Bellevue/Dayton Fire Department, has a probable liability in a future period that, at this time, cannot be estimated. This liability is a result of improper payments of incentive to the fire fighters. The fire department is directly affected by this action taken by the Department of Labor, while the city is affected indirectly based on its contractual relationship with the fire department. The City estimates its Liability to range between \$85,000 and \$150,000 which is 50% of the fire departments estimated liability. The city includes in that range \$6,600 for the payment to fire fighters that worked directly for the city before the Department was formed. The city has also recorded a liability for its share of the pension liability recorded by the Bellevue/Dayton Fire Department based on the requirements of GASB 68. This liability is recorded on the Statement of Net Position and represents 50% of the Net Position of the fire department. The amount for June 30, 2016 is \$889,407.

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

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

IX – COMMITMENTS

The City is committed under a contract with the Fire Department of Bellevue-Dayton, L.L.C. for fire and EMS services. The agreement expires June 1, 2021 unless the cities choose to extend the agreement. Each year the City is required to make a payment, determined on a yearly basis, to cover operating expenses. The required payment for fiscal year 2017 will be approximately \$730,000.

X-RESTATEMENT/PRIOR PERIOD ADJUSTMENT

As of June 30, 2016, 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 2015 Statement of Net Position above was restated by (\$84,595) to include the beginning balance of the net pension liability at June 30, 2015.

X – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 2, 2017, the date on which the financial statements were available to be issued.

CITY OF DAYTON, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,254,000	\$ 1,254,000	\$ 1,359,013	\$ 105,013
Licenses and Permits	1,088,400	1,088,400	1,259,168	170,768
Intergovernmental	65,773	65,773	54,336	(11,437)
Charges for Services	373,250	373,250	394,620	21,370
Fines and Forfeitures	39,500	39,500	41,359	1,859
Interest	4,000	4,000	7,842	3,842
Miscellaneous	446,182	446,182	134,541	(311,641)
Total Revenues	<u>3,271,105</u>	<u>3,271,105</u>	<u>3,250,879</u>	<u>(20,226)</u>
Expenditures				
Current:				
General Government	393,330	393,330	362,800	30,530
Police	1,099,765	1,099,765	1,033,242	66,523
Fire	957,239	957,239	929,192	28,047
Public Works	311,105	311,105	258,177	52,928
Building Service	79,967	79,967	48,693	31,274
Waste Collection	240,000	240,000	271,768	(31,768)
Professional Services	456,865	456,865	215,725	241,140
Main Street	74,895	74,895	57,831	17,064
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	62,000	62,000	73,058	(11,058)
Total Expenditures	<u>3,675,166</u>	<u>3,675,166</u>	<u>3,250,486</u>	<u>424,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(404,061)</u>	<u>(404,061)</u>	<u>393</u>	<u>404,454</u>
Other Financing Sources (Uses)				
Transfers In	92,855	92,855	92,855	-
Transfers Out	-	-	-	-
Sale of Property	-	-	-	-
Total Other Financing Sources (Uses)	<u>92,855</u>	<u>92,855</u>	<u>92,855</u>	<u>-</u>
Net Change in Fund Balances	(311,206)	(311,206)	93,248	404,454
Fund Balances - Beginning	<u>1,577,856</u>	<u>\$ 1,577,856</u>	<u>\$ 2,131,778</u>	<u>553,922</u>
Fund Balances - Ending	<u>\$ 1,266,650</u>	<u>\$ 1,266,650</u>	<u>\$ 2,225,026</u>	<u>\$ 958,376</u>

The basis of budgeting is the same as generally accepted accounting principles.

CITY OF DAYTON, KENTUCKY
MUNICIPAL ROAD AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 265,000	\$ 265,000	\$ 231,265	\$ (33,735)
Interest	700	700	1,255	555
Total Revenues	<u>265,700</u>	<u>265,700</u>	<u>232,520</u>	<u>(33,180)</u>
Expenditures				
Current:				
Public Works	492,307	492,307	221	492,086
Capital Outlay	-	-	206,404	(206,404)
Total Expenditures	<u>492,307</u>	<u>492,307</u>	<u>206,625</u>	<u>285,682</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(226,607)</u>	<u>(226,607)</u>	<u>25,895</u>	<u>252,502</u>
Other Financing Sources (Uses)				
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balances	(256,607)	(256,607)	(4,105)	252,502
Fund Balances - Beginning	<u>(371,421)</u>	<u>(371,421)</u>	<u>239,669</u>	<u>611,090</u>
Fund Balances - Ending	<u><u>\$ (628,028)</u></u>	<u><u>\$ (628,028)</u></u>	<u><u>\$ 235,564</u></u>	<u><u>\$ 863,592</u></u>

The basis of budgeting is the same as generally accepted accounting principles.

CITY OF DAYTON, KENTUCKY
URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	12,600	12,600	6,800	(5,800)
Interest	900	900	2,226	1,326
Miscellaneous	10,500	10,500	11,886	1,386
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>20,912</u>	<u>(3,088)</u>
Expenditures				
Current:				
Urban Redevelopment	128,000	128,000	45,881	82,119
Capital Outlay	140,000	140,000	-	140,000
Total Expenditures	<u>268,000</u>	<u>268,000</u>	<u>45,881</u>	<u>222,119</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(244,000)</u>	<u>(244,000)</u>	<u>(24,969)</u>	<u>219,031</u>
Other Financing Sources (Uses)				
Sale of Property	-	-	8,802	8,802
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,802</u>	<u>8,802</u>
Net Change in Fund Balances	(244,000)	(244,000)	(16,167)	227,833
Fund Balances - Beginning	<u>781,600</u>	<u>\$ 781,600</u>	<u>\$ 619,272</u>	<u>(162,328)</u>
Fund Balances - Ending	<u>\$ 537,600</u>	<u>\$ 537,600</u>	<u>\$ 603,105</u>	<u>\$ 65,505</u>

The basis of budgeting is the same as generally accepted accounting principles.

CITY OF DAYTON, KENTUCKY
PARK BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Recreation Revenues	\$ 1,000	\$ 1,000	\$ 1,556	\$ 556
Intergovernmental Revenues	-	-	-	-
Interest	200	200	381	181
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	<u>2,200</u>	<u>2,200</u>	<u>1,937</u>	<u>(263)</u>
Expenditures				
Current:				
Recreation	37,150	37,150	29,775	7,375
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>37,150</u>	<u>37,150</u>	<u>29,775</u>	<u>7,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,950)</u>	<u>(34,950)</u>	<u>(27,838)</u>	<u>7,112</u>
Other Financing Sources (Uses)				
Transfers In	34,362	34,362	34,362	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>34,362</u>	<u>34,362</u>	<u>34,362</u>	<u>-</u>
Net Change in Fund Balances	(588)	(588)	6,524	7,112
Fund Balances - Beginning	69,737	\$ 69,737	\$ 95,421	25,684
Fund Balances - Ending	<u>\$ 69,149</u>	<u>\$ 69,149</u>	<u>\$ 101,945</u>	<u>\$ 32,796</u>

The basis of budgeting is the same as generally accepted accounting principles.

CITY OF DAYTON, KENTUCKY
PARK TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Park Tax	\$ 97,217	97,217	\$ 97,217	\$ -
Total Revenues	<u>97,217</u>	<u>97,217</u>	<u>97,217</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers Out	(97,217)	(97,217)	(97,217)	-
Total Other Financing Sources (Uses)	<u>(97,217)</u>	<u>(97,217)</u>	<u>(97,217)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The basis of budgeting is the same as generally accepted accounting principles.

CITY OF DAYTON, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Hazardous
 Last Ten Fiscal Years

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of net pension liability	0.084761%	0.090793%								
Proportionate share of the net pension liability (asset)	\$ 1,301,170	\$ 1,091,168								
Covered employee payroll in year of measurement	\$ 563,627	\$ 582,831								
Share of the net pension liability (asset) as a percentage of its covered employee payroll	230.86%	187.22%								
Plan fiduciary net position as a percentage of total pension liability	57.52%	63.46%								

SCHEDULE OF THE CITY'S CONTRIBUTIONS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 103,472	\$ 100,023	\$ 106,613							
Actual Contribution	\$ (103,472)	\$ (100,023)	\$ (106,613)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered employee payroll	\$ 583,051	\$ 563,627	\$ 582,831							
Contributions as a percentage of covered employee payroll	17.75%	17.75%	18.29%							

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016
 Changes of Assumptions

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE VI in the Notes to the Financial Statements.

CITY OF DAYTON, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Non-Hazardous
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
	County Employees' Retirement System (CERS)									
Proportion of net pension liability	0.016433%	0.016077%								
Proportionate share of the net pension liability (asset)	\$ 706,528	\$ 521,584								
Covered employee payroll in year of measurement	\$ 322,698	\$ 347,093								
Share of the net pension liability (asset) as a percentage of its covered employee payroll	218.94%	150.27%								
Plan fiduciary net position as a percentage of total pension liability	59.97%	66.80%								
SCHEDULE OF THE CITY'S CONTRIBUTIONS										
	County Employees' Retirement System (CERS)									
Contractually required contribution	\$ 45,386	\$ 49,422	\$ 50,127							
Actual Contribution	\$ (45,386)	\$ (49,422)	\$ (50,127)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered employee payroll	\$ 291,921	\$ 322,698	\$ 347,093							
Contributions as a percentage of covered employee payroll	15.53%	15.32%	14.44%							

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016
Changes of Assumptions

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE VI in the Notes to the Financial Statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Dayton, 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, each major fund, and the aggregate remaining fund information of City of Dayton, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Dayton KY's basic financial statements and have issued our report thereon dated May 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dayton, 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 Dayton KY's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dayton, 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 significant deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2016-.1, 2).



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dayton, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dayton, KY' Response to Findings

City of Dayton KY's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Dayton, 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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

May 15, 2017

City of Dayton, KY
Schedule of Findings & Responses
F.Y.E June 30, 2016

Significant Deficiencies:

2016-1

Condition: Lack of separation of duties in disbursements.

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

Cause: Not having a control in place to separate the signor of checks from the person that reconciles the bank statements in the accounting system.

Effect: Because of the lack of separation of duties, it would be possible for improper recording to the financial statements without being corrected.

Recommendation: Put in place a control to separate the check signor from the bank reconciler.

Views of responsible officials and plans of corrective actions: They simply do not have or can they afford to hire an additional person to separate these duties.

2016-2

Condition: Lack of controls on the number of staff that have access to property tax system on revenues.

Cause: Not having a control in place that limits access to these two systems.

Effect: Office staff in the clerk's office could conceivably change property tax assessments to their own or acquaintances.

Recommendation: Put a control in place to limit access to the above records.

View of Responsible Officials: Due to the size of the staff (3), there will be instances when a staff member will not be on sight to complete the payroll or collect property taxes. So, limiting access on the personnel in the office to the tax records would be inefficient and not cost effective.