

**CITY OF
 DAYTON, KENTUCKY**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

CONTENTS

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements	
Government Wide Statements	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..	13
Notes to Financial Statements.....	14
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund.....	24
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Municipal Aid.....	25
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Urban Renewal.....	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Civic Club.....	27
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Park Board.....	28
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Park Tax.....	29
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards	30

Fossellit And Associates, CPA

Where expertise and efficiency meet affordability.

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

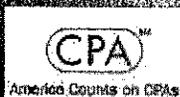
Management's Responsibility for the Financial Statements

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.



4227 Dixie Highway
Suite F
Dayton, KY 45424

PHONE (939) 283-9393
FAX (939) 283-9394
EMAIL fossellit@fossellit.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, each major fund, and the aggregate remaining fund information of the City of Dayton, KY, as of June 30, 2013, 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 2-8 and 23-28 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 January 30, 2014, 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.

Fossett and Associates CPA

Erlanger, KY
January 30, 2014



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, 2013.

Financial Highlights

The assets of the City of Dayton exceeded its liabilities at the close of the most recent fiscal year by \$6,294,408 (net position). Of this amount, \$2,628,902 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position decreased by (\$232,549).

As of the close of the current fiscal year, the City of Dayton's governmental funds reported combined ending fund balances of \$2,793,078, an increase of \$9,693 in comparison with the prior year. At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,857,792, or 55 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 of 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 of 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 three 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 of 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 \$6,294,408 at the close of the most recent fiscal year.

By far the largest portion of the City of Dayton's net position (48 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	
	2013	2012
Current & Other Assets	\$ 3,114,045	\$ 3,147,174
Capital Assets	3,311,719	3,514,976
Total Assets	<u>6,425,764</u>	<u>6,662,150</u>
Long-term Liabilities	\$ -	\$ -
Other Liabilities	131,356	135,193
Total Liabilities	<u>131,356</u>	<u>135,193</u>
Net Position:		
Invested in Capital, net of Related Debt	\$ 3,281,720	\$ 3,484,976
Restricted	383,786	330,161
Unrestricted	2,628,902	2,711,820
Total Net Position	<u>\$ 6,294,408</u>	<u>\$ 6,526,957</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 (\$2,628,902) 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 decreased by \$232,549 during the current fiscal year. The majority of this decrease is the result of the Locust Street infrastructure project and the disposition of 1216 7th street and 215 Main St properties. The grant revenues used to fund this project are included in 2013 revenues, but the infrastructure improvements are capitalized and therefore only the related depreciation is included in 2013 expenses.

Changes in Net position

<u>Revenues</u>	<u>2012</u>	<u>2013</u>	<u>% of Total</u>	<u>\$ Increase (Decrease from 2012</u>
Program Revenues:				
Charges for Services	\$ 354,115	\$ 315,056	10%	\$ (39,059)
Operating Grants & Contributions	188,571	490,822	16%	302,251
Capital Grants & Contributions	-	-		
General Revenues:				
Property Taxes	1,329,600	1,365,349	45%	35,749
Payroll Tax	484,727	492,923	16%	8,196
Insurance Tax	445,547	486,344	16%	40,797
Licenses	130,989	118,069	4%	(12,920)
Fines	38,968	41,801	1%	2,833
Recreation	12,138	5,425	0%	(6,713)
Interest	12,294	10,748	0%	(1,546)
Miscellaneous	254,966	241,075	8%	(13,891)
Investment in Joint Venture	-	146,830	5%	146,830
Gain (Loss) on Sale of Assets	2,774	(701,999)	-23%	(704,773)
Total Revenues	\$ 3,254,689	\$ 3,012,443		\$ (242,246)
Expenses				
General Government	\$ 471,885	\$ 462,817	15%	\$ (9,068)
Police	943,986	1,039,550	35%	95,564
Fire	730,000	731,500	24%	1,500
Public Works	301,301	296,600	10%	(4,701)
Building Service	74,797	72,608	2%	(2,189)
Waste Collection	234,611	243,726	8%	9,115
Recreation	38,249	29,818	1%	(8,431)
Professional Fees	177,617	224,602	7%	46,985
Main Street	58,172	66,966	2%	8,794
Urban Redevelopment	110,814	76,805	3%	(34,009)
Total Expenses	\$ 3,141,432	\$ 3,244,992		\$ 103,560
Change in Net Position	\$ 113,257	\$ (232,549)		

- Property taxes increased due to a slight increase in collections.
- Operating Grants & Contributions increased due to a large one-time grant for the Locust Street project this year.
- Police expenses increased due to several factors. Two new positions were staffed for part-time officers, and the roster of full-time officers was fully staffed with no vacancies. This resulted in the need for more cruisers, and 3 new cruisers were purchased. This in turn resulted in an increase in fuel costs and cruiser maintenance.
- Professional fees increases were primarily caused by two factors. The City provides matching funds to residents who replace the sidewalks on their properties, and there was an increase in the number of residents receiving these matching funds in 2013. In addition, the expenses for services in the Grant Park subdivision increased due to an increase in the number of residents. The Grant Park expenses are offset by fees collected from the residents, which are reported as revenues of the City.

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, 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.

As of the end of the current fiscal year, the City of Dayton's governmental funds reported combined ending fund balances of \$2,793,078 an increase of \$9,693 in comparison with the prior year. Approximately 86 percent of this total amount (\$2,409,292) 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 \$1,857,792. 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 55 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, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

- Intergovernmental Revenues increased due to a large one-time grant for the Locust Street project this year. The increase in Capital Outlay expenses is also related to this project.
- Police expenses increased due to several factors. Two new positions were staffed for part-time officers, and the roster of full-time officers was fully staffed with no vacancies. This resulted in the need for more cruisers, and 3 new cruisers were purchased. This in turn resulted in an increase in fuel costs and cruiser maintenance.
- Public works increased due to a major road project.
- Urban Redevelopment decreased due to an \$80,000 one-time payment in 2012 toward the certification of the floodwall.

GOVERNMENTAL FUNDS

	<u>2012</u>	<u>% of Total</u>	<u>2013</u>	<u>% of Total</u>	<u>\$ Increase (Decrease from 2012</u>
General Revenues:					
Taxes	\$ 1,310,556	40.5%	\$ 1,352,978	37.4%	\$ 42,422
Licenses & Permits	1,061,263	32.8%	1,097,336	30.4%	36,073
Intergovernmental	188,571	5.8%	490,822	13.6%	302,251
Charges for Services	354,115	11.0%	375,270	10.4%	21,155
Fines & Forfeitures	38,968	1.2%	41,801	1.2%	2,833
Recreation	12,138	0.4%	5,425	0.2%	(6,713)
Interest	12,294	0.4%	10,748	0.3%	(1,546)
Miscellaneous	254,966	7.9%	241,075	6.7%	(13,891)
Total Revenues	<u><u>\$ 3,232,871</u></u>		<u><u>\$ 3,615,455</u></u>		<u><u>\$ 382,584</u></u>
Expenses					
General Government	\$ 430,364	12.1%	\$ 433,993	12%	\$ 3,629
Police	912,281	25.5%	1,099,738	31%	187,457
Fire	730,000	20.4%	731,500	20%	1,500
Public Works	278,015	7.8%	438,830	12%	160,815
Building Service	74,797	2.1%	72,608	2%	(2,189)
Waste Collection	234,611	6.6%	243,726	7%	9,115
Recreation	29,940	0.8%	24,708	1%	(5,232)
Professional Fees	177,617	5.0%	224,602	6%	46,985
Main Street	58,172	1.6%	66,966	2%	8,794
Urban Redevelopment	110,814	3.1%	39,526	1%	(71,288)
Capital Outlay	50,323	1.4%	232,208	7%	181,885
Total Expenses	<u><u>\$ 3,086,934</u></u>		<u><u>\$ 3,608,405</u></u>		<u><u>\$ 521,471</u></u>

Capital Asset and Debt Administration

Capital Assets

The City of Dayton's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$4,618,470. This investment in capital assets includes land, buildings, roads, vehicles, equipment, and furniture.

Capital Assets

	Governmental Activities	
	2013	2012
Land	\$ 1,414,062	\$ 2,127,561
Investment in Joint Venture	146,830	-
Buildings	1,029,924	1,029,924
Infrastructure	1,570,937	1,224,755
Improvements	41,470	41,470
Vehicles	306,305	284,575
Equipment	178,060	278,854
Furniture & Fixtures	77,712	71,230
Total	<u>\$ 4,765,300</u>	<u>\$ 5,058,369</u>

This year's major Additions/Deletions included:

Land Deletions	\$ (713,500)
Investment in joint venture	146,830
Infrastructure Additions	346,182
Vehicle Additions	105,461
Vehicle Deletions	(83,731)
Equipment Additions	4,291
Equipment Deletions	(105,085)
Furniture Additions	9,182
Furniture Deletions	(2,700)
	<u>\$ (293,070)</u>

Additional information on the City of Dayton's capital assets can be found in note IV on page 21 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

City Council passed an original budget for 2012-2013, and did not revised that budget. Actual revenues were (\$35,914) less than budgeted amounts. Taxes were \$81,199 more than budget due to increased collections. Intergovernmental revenues were \$199,261 more than budget due to state grants received to cover the cost of the Locust Street infrastructure project. Miscellaneous revenues were (\$387,183) less than budget primarily because the state grant for Locust Street was originally budgeted in this revenue line item.

Actual expenditures were \$391,029 less than budgeted amounts. The most significant variances were in professional services and capital outlay. Professional services were \$502,013 less than budget in part because the costs of the Locust St. infrastructure project were budgeted here, but expensed as capital outlay. The offsetting variance shows capital outlay over budget by \$199,927.

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 2013 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2013 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.

Kenneth E. Rankle

Kenneth E. Rankle
Mayor

CITY OF DAYTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government	
	Governmental Activities	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,855,060	\$ 2,855,060
Investments	37,865	37,865
Accounts Receivable	92,509	92,509
Prepaid Expenses	-	-
Notes Receivable	128,610	128,610
Capital Assets:		
Land	1,414,062	1,414,062
Investment in Joint venture	146,830	146,830
Buildings	1,029,924	1,029,924
Infrastructure	1,570,937	1,570,937
Improvements	41,470	41,470
Vehicles	306,305	306,305
Equipment	178,060	178,060
Furniture & Fixtures	77,712	77,712
Less Accumulated Depreciation	(1,453,580)	(1,453,580)
Total Assets	6,425,764	6,425,764
Liabilities		
Current Liabilities:		
Accounts Payable	41,440	41,440
Accrued Liabilities	88,266	88,266
Deposits	1,650	1,650
Noncurrent Liabilities:		
Due Within One Year	-	-
Due in More Than One Year	-	-
Total Liabilities	131,356	131,356
Net Position		
Invested in Capital Assets, Net of Related Debt	3,281,720	3,281,720
Restricted for:		
Municipal Aid	383,786	383,786
Debt Service	-	-
Unrestricted	2,628,902	2,628,902
Total Net Position	\$ 6,294,408	\$ 6,294,408

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs: Primary: Governmental	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Governmental Activities:					
General Government	\$ 462,817	\$ -	\$ -	\$ -	(462,817)
Police	1,039,550	-	261,861	-	(777,689)
Fire	731,500	-	-	-	(731,500)
Public Works	296,600	-	-	-	(296,600)
Building Service	72,608	-	-	-	(72,608)
Waste Collection	243,726	367,820	-	-	124,094
Recreation	29,818	-	-	-	(29,818)
Professional Services	224,602	-	-	-	(224,602)
Main Street	66,966	-	-	-	(66,966)
Urban Redevelopment	76,805	(52,764)	228,961	-	99,392
Interest Expense	-	-	-	-	-
Total Governmental Activities	<u>3,244,992</u>	<u>315,056</u>	<u>490,822</u>	<u>-</u>	<u>(2,439,114)</u>
Total Primary Government	<u>\$ 3,244,992</u>	<u>\$ 315,056</u>	<u>\$ 490,822</u>	<u>\$ -</u>	<u>\$ (2,439,114)</u>

General Revenues:	
Property Taxes	1,365,349
Payroll Tax	492,923
Insurance Tax	486,344
Licenses	118,069
Fines	41,801
Recreation	5,425
Interest	10,748
Gain (less) on disposition of Property	(701,999)
Investment in Fire department Bellevue Dayton LLC	146,830
Miscellaneous	241,075
Total General Revenues	<u>2,206,565</u>
Change in Net Position	<u>(232,549)</u>

Net Position - Beginning 6,526,957

Net Position - Ending \$ 6,294,408

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Municipal Aid	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,918,997	\$ 383,786	\$ 461,726	\$ 90,551	\$ 2,855,060
Investments	37,865	-	-	-	37,865
Accounts Receivable	92,509	-	-	-	92,509
Prepaid expenses	-	-	-	-	-
Notes Receivable	-	-	128,610	-	128,610
Due From Other Funds	-	-	-	-	-
Total Assets	<u>\$ 2,049,371</u>	<u>\$ 383,786</u>	<u>\$ 590,336</u>	<u>\$ 90,551</u>	<u>\$ 3,114,044</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 40,663	\$ -	\$ -	\$ 777	\$ 41,440
Accrued Liabilities	88,266	-	-	-	88,266
Deposits	1,650	-	-	-	1,650
Due to Other Funds	-	-	-	-	-
Deferred Revenue	61,000	-	128,610	-	189,610
Total Liabilities	<u>191,579</u>	<u>-</u>	<u>128,610</u>	<u>777</u>	<u>320,966</u>
Fund Balances:					
Reserved:					
Debt Service	-	-	-	-	-
Municipal Aid	-	383,786	-	-	383,786
Unassigned, Reported In:					
General Fund	1,857,792	-	-	-	1,857,792
Special Revenue Funds	-	-	461,726	89,774	551,500
Total Fund Balances	<u>1,857,792</u>	<u>383,786</u>	<u>461,726</u>	<u>89,774</u>	<u>2,793,078</u>
Total Liabilities and Fund Balances	<u>\$ 2,049,371</u>	<u>\$ 383,786</u>	<u>\$ 590,336</u>	<u>\$ 90,551</u>	

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.

3,311,720

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

189,610

Net assets of governmental activities.

\$ 6,294,408

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, 2013

	General Fund	Municipal Aid	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,270,787	\$ -	\$ -	\$ 82,191	\$ 1,352,978
Licenses and Permits	1,097,336	-	-	-	1,097,336
Intergovernmental	261,861	228,961	-	-	490,822
Charges for Services	367,820	-	7,450	-	375,270
Fines and Forfeitures	41,801	-	-	-	41,801
Recreation	-	-	-	5,425	5,425
Loan Payments	-	-	-	-	-
Interest	8,402	919	1,220	207	10,748
Miscellaneous	239,087	-	-	1,988	241,075
Total Revenues	<u>3,287,094</u>	<u>229,880</u>	<u>8,670</u>	<u>89,811</u>	<u>3,615,455</u>
Expenditures					
Current:					
General Government	433,993	-	-	-	433,993
Police	1,099,738	-	-	-	1,099,738
Fire	731,500	-	-	-	731,500
Public Works	292,575	146,255	-	-	438,830
Building Service	72,608	-	-	-	72,608
Waste Collection	243,726	-	-	-	243,726
Recreation	-	-	-	24,708	24,708
Professional Services	224,602	-	-	-	224,602
Main Street	66,966	-	-	-	66,966
Urban Redevelopment	-	-	33,713	5,813	39,526
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital Outlay	<u>199,927</u>	<u>-</u>	<u>32,281</u>	<u>-</u>	<u>232,208</u>
Total Expenditures	<u>3,365,635</u>	<u>146,255</u>	<u>65,994</u>	<u>30,521</u>	<u>3,608,405</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,541)	83,625	(57,324)	59,290	7,050
Other Financing Sources (Uses)					
Transfers In	77,829	-	-	37,362	115,191
Transfers Out	(3,000)	(30,000)	-	(82,191)	(115,191)
Sale of Property	-	-	2,643	-	2,643
Total Other Financing Sources (Uses)	<u>74,829</u>	<u>(30,000)</u>	<u>2,643</u>	<u>(44,829)</u>	<u>2,643</u>
Net Change in Fund Balances	(3,712)	53,625	(54,681)	14,461	9,693
Fund Balances - Beginning	<u>1,861,504</u>	<u>330,161</u>	<u>516,407</u>	<u>75,313</u>	<u>2,783,385</u>
Fund Balances - Ending	<u>\$ 1,857,792</u>	<u>\$ 383,786</u>	<u>\$ 461,726</u>	<u>\$ 89,774</u>	<u>\$ 2,793,078</u>

The accompanying Notes are an integral part of these financial statements

<p>CITY OF DAYTON, KENTUCKY</p> <p>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES</p> <p>IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</p> <p>For the Year Ended June 30, 2013</p>

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

Net change in fund balances - total governmental fund	\$	9,693
--	----	-------

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.		510,243
---	--	---------

The net effect of various miscellaneous transactions involving capital assets (Le., sales, trade-ins donations) is to decrease net assets.		(701,999)
--	--	-----------

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.		<u>(47,843)</u>
---	--	-----------------

Change in net assets of governmental activities.	\$	<u>(232,549)</u>
---	-----------	-------------------------

The accompanying Notes are an integral part of these financial statements

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 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 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, 2013

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.

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.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- *Assigned fund balance* - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

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

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

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

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

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.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items.

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, 2013

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> <u>Fund</u>	<u>Civic Club</u> <u>Fund</u>	<u>Park</u> <u>Board</u>	<u>Park</u> <u>Tax</u>		<u>Total</u>
Transfers From:						
General Fund	\$ -	\$ 3,000			\$	3,000
Municipal Aid	30,000		-	-		30,000
Park Tax	47,829		34,362			82,191
						-
Total	\$ 77,829	\$ 3,000	\$ 34,362	\$ -	\$	115,191

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

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

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's deposits are entirely insured or collateralized with securities held by an agent of the City in the City's name.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

IV – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental				
Land	\$ 2,127,562		\$ (713,500)	\$ 1,414,062
Investment in Joint venture	-	146,830		146,830
Buildings	1,029,924			1,029,924
Infrastructure	1,224,755	346,182		1,570,937
Improvements	41,470			41,470
Vehicles	284,575	105,461	(83,731)	306,305
Equipment	278,854	4,291	(105,085)	178,060
Furniture	71,230	9,182	(2,700)	77,712
Subtotal	<u>5,058,370</u>	<u>611,946</u>	<u>(905,016)</u>	<u>4,765,300</u>
Accum Dep				
Land	-			-
Buildings	(799,425)	(8,248)		(807,673)
Infrastructure	(215,248)	(49,025)		(264,273)
Improvements	(14,921)	(2,765)		(17,686)
Vehicles	(256,317)	(23,723)	83,731	(196,309)
Equipment	(187,229)	(15,306)	105,085	(97,450)
Furniture	(70,253)	(2,636)	2,700	(70,189)
Subtotal	<u>(1,543,393)</u>	<u>(101,703)</u>	<u>191,516</u>	<u>(1,453,580)</u>
Net Capital Assets	<u>\$ 3,514,977</u>			<u>\$ 3,311,720</u>

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 41,249
Police	19,842
Public Works	30,504
Recreation	5,110
Urban Redevelopment	4,998
Total Government activities depreciation expense	<u>\$ 101,703</u>

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

During this year the city has recognized an interest in the assets of a joint venture with the City of Bellevue in the Fire Department. This entity is a Limited Liability Company jointly owned by both the City of Bellevue and the City of Dayton. Dayton's interest in the joint venture is recorded as a capital asset as the equity in the Joint Venture is a result of capital assets held by the Fire Department. The investment will increase or decrease based on the equity remaining each fiscal year.

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

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

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

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially 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 adjustments (COLA) are provided at the discretion of the state legislature.

Non-hazardous Contributions -- For the year ended June 30, 2013, 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 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, 2013, participating employers contributed 19.55% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2013 was 19.55% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF DAYTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Hazardous Contributions – For the year ended June 30, 2013, 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, 2013, participating employers contributed 37.60% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2013 was 37.60% 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 for the current and previous two years is as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Actual Percentage Contributed</u>
2013	\$ 249,577	100%
2012	\$ 217,243	100%
2011	\$ 167,301	100%

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.

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, 2013

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 2014 will be approximately \$730,000.

X – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2014, 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,189,588	\$ 1,189,588	\$ 1,270,787	\$ 81,199
Licenses and Permits	1,052,800	1,052,800	1,097,336	44,536
Intergovernmental	62,600	62,600	261,861	199,261
Charges for Services	348,950	348,950	367,820	18,870
Fines and Forfeitures	36,800	36,800	41,801	5,001
Interest	6,000	6,000	8,402	2,402
Miscellaneous	626,270	626,270	239,087	(387,183)
Total Revenues	<u>3,323,008</u>	<u>3,323,008</u>	<u>3,287,094</u>	<u>(35,914)</u>
Expenditures				
Current:				
General Government	483,395	483,395	433,993	49,402
Police	1,062,104	1,062,104	1,099,738	(37,634)
Fire	730,000	730,000	731,500	(1,500)
Public Works	359,017	359,017	292,575	66,442
Building Service	90,551	90,551	72,608	17,943
Waste Collection	240,000	240,000	243,726	(3,726)
Professional Services	726,615	726,615	224,602	502,013
Main Street	64,982	64,982	66,966	(1,984)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	199,927	(199,927)
Total Expenditures	<u>3,756,664</u>	<u>3,756,664</u>	<u>3,365,635</u>	<u>391,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(433,656)</u>	<u>(433,656)</u>	<u>(78,541)</u>	<u>355,115</u>
Other Financing Sources (Uses)				
Transfers In	95,000	95,000	77,829	(17,171)
Transfers Out	-	-	(3,000)	(3,000)
Sale of Property	-	-	-	-
Total Other Financing Sources (Uses)	<u>95,000</u>	<u>95,000</u>	<u>74,829</u>	<u>(20,171)</u>
Net Change in Fund Balances	<u>(338,656)</u>	<u>(338,656)</u>	<u>(3,712)</u>	<u>334,944</u>
Fund Balances - Beginning	<u>373,587</u>	<u>373,587</u>	<u>1,861,504</u>	<u>1,487,917</u>
Fund Balances - Ending	<u>\$ 34,931</u>	<u>\$ 34,931</u>	<u>\$ 1,857,792</u>	<u>\$ 1,822,861</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 126,000	\$ 126,000	\$ 228,961	\$ 102,961
Interest	500	500	919	419
Total Revenues	<u>126,500</u>	<u>126,500</u>	<u>229,880</u>	<u>103,380</u>
Expenditures				
Current:				
Public Works	426,500	426,500	146,255	280,245
Capital Outlay	-	-	-	-
Total Expenditures	<u>426,500</u>	<u>426,500</u>	<u>146,255</u>	<u>280,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>83,625</u>	<u>383,625</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	(330,000)	(330,000)	53,625	383,625
Fund Balances - Beginning	<u>330,000</u>	<u>330,000</u>	<u>330,161</u>	<u>161</u>
Fund Balances - Ending	\$ <u>-</u>	\$ <u>-</u>	\$ <u>383,786</u>	\$ <u>383,786</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	6,000	6,000	7,450	1,450
Interest	1,500	1,500	1,220	(280)
Miscellaneous	-	-	-	-
Total Revenues	<u>7,500</u>	<u>7,500</u>	<u>8,670</u>	<u>1,170</u>
Expenditures				
Current:				
Urban Redevelopment	-	-	33,713	(33,713)
Capital Outlay	140,000	140,000	32,281	107,719
Total Expenditures	<u>140,000</u>	<u>140,000</u>	<u>65,994</u>	<u>74,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(132,500)</u>	<u>(132,500)</u>	<u>(57,324)</u>	<u>75,176</u>
Other Financing Sources (Uses)				
Sale of Property	-	-	2,643	2,643
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,643</u>	<u>2,643</u>
Net Change in Fund Balances	(132,500)	(132,500)	(54,681)	77,819
Fund Balances - Beginning	<u>600,000</u>	<u>600,000</u>	<u>516,407</u>	<u>(83,593)</u>
Fund Balances - Ending	<u>\$ 467,500</u>	<u>\$ 467,500</u>	<u>\$ 461,726</u>	<u>\$ (5,774)</u>

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

CITY OF DAYTON, KENTUCKY
CIVIC CLUB FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 1,988	\$ (12)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,988</u>	<u>(12)</u>
Expenditures				
Current:				
Urban Redevelopment	5,000	5,000	5,813	(813)
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>5,813</u>	<u>(813)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,000)	(3,000)	(3,825)	(825)
Other Financing Sources (Uses)				
Transfers In	-	-	3,000	3,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Net Change in Fund Balances	-	-	(825)	(825)
Fund Balances - Beginning	<u>3,585</u>	<u>3,585</u>	<u>3,352</u>	<u>(233)</u>
Fund Balances - Ending	<u>\$ 585</u>	<u>\$ 585</u>	<u>\$ 2,527</u>	<u>\$ 1,942</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Recreation Revenues	\$ 18,000	\$ 18,000	\$ 5,425	\$ (12,575)
Intergovernmental Revenues	-	-	-	-
Interest	200	200	207	7
Miscellaneous	-	-	-	-
Total Revenues	<u>18,200</u>	<u>18,200</u>	<u>5,632</u>	<u>(12,568)</u>
Expenditures				
Current:				
Recreation	34,362	34,362	24,708	9,654
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>34,362</u>	<u>34,362</u>	<u>24,708</u>	<u>9,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,162)</u>	<u>(16,162)</u>	<u>(19,076)</u>	<u>(2,914)</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	18,200	18,200	15,286	(2,914)
Fund Balances - Beginning	<u>55,200</u>	<u>55,200</u>	<u>71,961</u>	<u>16,761</u>
Fund Balances - Ending	<u>\$ 73,400</u>	<u>\$ 73,400</u>	<u>\$ 87,247</u>	<u>\$ 13,847</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, 2013

	<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	\$ 99,326	99,326	\$ 82,191	\$ (17,135)
Total Revenues	<u>99,326</u>	<u>99,326</u>	<u>82,191</u>	<u>(17,135)</u>
Other Financing Sources (Uses)				
Transfers Out	(99,326)	(99,326)	(82,191)	17,135
Total Other Financing Sources (Uses)	<u>(99,326)</u>	<u>(99,326)</u>	<u>(82,191)</u>	<u>17,135</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.

Jossell
And
Associates, CPA

Where expertise and efficiency meet affordability.

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

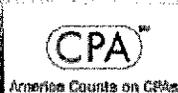
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dayton, as of and for the year ended June 30, 2013, 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 January 30, 2014.

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.



4224 Dixie Highway
Suite 200

PHONE (959) 293-9393
(959) 293-3194

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 (2013-1, 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.

Fosssett & Associates. CPA

Erlanger, KY
January 30, 2014

City of Dayton, KY
Schedule of Findings & Responses
F.Y.E June 30, 2013

Significant Deficiencies:

2013-1

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 and additional person to separate these duties.

2013-2

We noted the same condition in audit year ending June 30, 2012

Condition: Lack of controls on the number of staff that have access to payroll functions and the 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 payroll records and 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 payroll and tax records would be inefficient and not cost effective.