

**CITY OF DAYTON, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2019**

**CITY OF DAYTON, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2019**

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**CITY OF DAYTON, KENTUCKY**

**CITY OFFICIALS**

**As of June 30, 2019**

**Mayor**

Ben Baker

**Council Members**

Scott Beseler

Denny Lynn

Bill Burns

Joe Neary

Tammy Cornett

Jeff Volter

**City Administrator**

Michael Giffen



Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Council of the  
City of Dayton, Kentucky

### 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, Kentucky, as of and for the year ended June 30, 2019, 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 an opinion 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.

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

#### ***-Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Dayton, Kentucky as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### ***-Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-8, the budgetary comparison schedules on pages 38-40, and the pension and other post-employment benefits disclosures on pages 41-44 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***-Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining non-major governmental funds financial statements on pages 44 - 49 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020 on our consideration of the City of Dayton, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City of Dayton, Kentucky's internal control over financial reporting and compliance.



Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
January 24, 2020

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**For the Year Ended June 30, 2019**

Our discussion and analysis of the City of Dayton, Kentucky's financial performance provides a narrative overview and analysis of the City's financial activities during the fiscal year ended June 30, 2019. Please read this analysis in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's net position is \$2,181,206.
- During the year, the City had expenses that were \$6,772 more than the \$4,168,646 generated in tax and other revenues.
- GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees' Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$3,206,176 as well as related deferred outflows and inflows of resources as a result of this standard.
- GASB No.75 - Accounting and Financial Reporting for Other Post-Employment Benefits (OPEB) - requires the City to record its proportionate share of the County Employees' Retirement System (CERS) net OPEB liability. The City has recorded a net OPEB liability of \$942,263 as well as related deferred outflows and inflows of resources as a result of this standard.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements follow these statements. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**REPORTING THE CITY AS A WHOLE**

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net positions and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's *financial health*, or financial position. Over time, increases or decreases in the City's net positions are one indicator of whether its financial health is improving or deteriorating. However, to assess the *overall health* of the City, you will need to consider other non-financial factors, such as improvements in services and capabilities.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements:** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, 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 are categorized as governmental funds.

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2019**

*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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is more 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 maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds.

**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, Kentucky, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,181,206 as of June 30, 2019. A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding as well as the net pension liability. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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. The following is a comparison of net position at June 30, 2019 and 2018:

**Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 3,755,713	\$ 4,113,186
Capital assets	3,592,124	3,355,968
Total assets	<u>7,347,837</u>	<u>7,469,154</u>
Deferred outflows of resources	1,508,310	1,435,959
Total assets and deferred outflows of resources	<u>8,856,147</u>	<u>8,905,113</u>
Current liabilities	188,426	254,443
Long-term liabilities	6,029,961	4,966,841
Total liabilities	<u>6,218,387</u>	<u>5,221,284</u>
Deferred inflows of resources	456,554	345,613
Total liabilities and deferred inflows of resources	<u>6,674,941</u>	<u>5,566,897</u>
Net investment in capital assets	3,309,998	3,042,969
Restricted-Municipal Road Aid	128,096	171,836
Unrestricted	(1,256,888)	123,411
Total Net Position	<u>\$ 2,181,206</u>	<u>\$ 3,338,216</u>

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2019**

The following is a comparison of the change in net position for 2019 and 2018:

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Revenues:		
Program revenues:		
Charges for services	\$ 422,506	\$ 430,537
Operating grants	109,196	199,299
Capital grants	355,107	198,082
General revenues:		
Property taxes	1,574,652	1,573,006
Licenses & permits	1,370,016	1,353,020
Fines & forfeitures	96,959	92,944
Interest	59,666	25,844
Investment in Fire Department	(691,398)	(558,641)
Other	109,099	151,909
Total revenues	<u>3,405,803</u>	<u>3,466,000</u>
Expenses:		
General government	565,744	549,056
Police	1,644,173	1,426,400
Fire	918,528	900,131
Public works	404,584	365,618
Building service	75,723	123,941
Waste collection	225,029	225,032
Recreation	133,112	103,606
Professional services	411,095	448,555
Main Street	66,709	88,547
Urban redevelopment	108,882	116,545
Interest	9,234	10,118
Total expenses	<u>4,562,813</u>	<u>4,357,549</u>
Increase in net position	(1,157,010)	(891,549)
Net position-Beginning	3,338,216	4,229,765
Net position-End of year	<u>\$ 2,181,206</u>	<u>\$ 3,338,216</u>

The City's net position decreased by (\$1,157,010) during the current fiscal year. This decrease is primarily attributable to the increase in net pension and OPEB liability and the loss in the fire department joint venture. The fire department joint venture loss is also primarily a result of the increase in their net pension and OPEB liability.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.



**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

*Governmental Funds:* The focus of the City'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's financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported an *unassigned* balance of \$2,361,877. This is available for spending for our citizens.

**GENERAL FUND BUDGETING HIGHLIGHTS**

City Council passed an original budget for 2018-2019 and made one set of amendments to the budget. Actual resources available for appropriation were \$1,446,534 more than budgeted amounts; taxes were (\$89,911) less than budgeted. The Riverfront Commons project was not finished during the fiscal year which resulted in budget line items for both other revenues and professional services expenditures to be an average of \$1.5 million under budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets:* The City's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$5,841,966. The following table details the capital assets owned by the City in 2019 and 2018 and the corresponding change in capital assets in 2019:

**Capital Assets**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 1,435,627	\$ 1,435,627
Buildings	1,049,624	1,049,624
Infrastructure	2,138,452	2,010,485
Improvements	302,597	69,137
Equipment	364,132	364,132
Vehicles	471,085	428,186
Furniture	80,449	80,449
Subtotals	5,841,966	5,437,640
Accumulated depreciation	(2,249,842)	(2,081,672)
Net Capital Assets	<u>\$ 3,592,124</u>	<u>\$ 3,355,968</u>

This year's major additions and deletions included:

Purchases of vehicles and equipment	\$ 42,901
Infrastructure projects for streets	127,966
River Walk Bike Trail and other improvements	233,460
Net depreciation added	(168,171)
Net change in Net Capital Assets	<u>\$ 236,156</u>

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2019**

*Debt:* During the 2017 fiscal year, the City entered into a capital lease agreement, along with the City of Bellevue, Kentucky, to purchase a fire truck for the jointly owned Fire Department of Bellevue and Dayton. The following is a summary of the debt owed by the City in 2019 and 2018.

**Long Term Debt**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Capital Lease - Fire Truck	\$ 282,126	\$ 312,999
Total Long Term Debt	\$ 282,126	\$ 312,999

The City's long term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of \$4,148,441 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of \$1,631,177.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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 2019-2020 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2019-2020 approximate projected revenues, and the City continues to monitor budget variances on an ongoing basis to respond appropriately.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Donna Leger, City Clerk/Treasurer, City of Dayton, Kentucky, 514 Sixth Avenue, Dayton, KY 41074, 859-491-1600

<b>CITY OF DAYTON, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2019</b>
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	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,935,573
Accounts receivable	820,140
Total Current Assets	<u>3,755,713</u>
<b>CAPITAL ASSETS</b>	
Land	1,435,627
Buildings	1,049,624
Infrastructure	2,138,452
Improvements	302,597
Vehicles	471,085
Equipment	364,132
Furniture and fixtures	80,449
Less: Accumulated Depreciation	<u>(2,249,842)</u>
Total Capital Assets	<u>3,592,124</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to net pension and OPEB liabilities	1,508,310
Total Assets and Deferred Outflows of Resources	<u>8,856,147</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	116,473
Accrued liabilities	36,925
Deposits	3,245
Current portion of capital lease obligations	31,783
Total Current Liabilities	<u>188,426</u>
Noncurrent Liabilities:	
Noncurrent portion of capital lease obligations	250,343
Investment in joint venture	1,631,177
Net pension and OPEB liability	4,148,441
Total Non-Current Liabilities	<u>6,029,961</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to net pension and OPEB liabilities	456,554
Total Liabilities and Deferred Inflows of Resources	<u>6,674,941</u>
<b>NET POSITION</b>	
Net invested in capital assets	3,309,998
Restricted	128,096
Unrestricted	<u>(1,256,888)</u>
Total Net Position	<u>\$ 2,181,206</u>

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

**CITY OF DAYTON, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS: PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government	
					Governmental Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 565,744	\$ 27,928	\$ 14,254	\$ -	\$ (523,562)	\$ (523,562)
Police department	1,644,173	31,833	83,857	-	(1,528,483)	(1,528,483)
Fire department	918,528	-	7,288	-	(911,240)	(911,240)
Public works	404,584	-	3,797	109,094	(291,693)	(291,693)
Building service	75,723	-	-	-	(75,723)	(75,723)
Waste collection	225,029	285,245	-	-	60,216	60,216
Recreation	133,112	77,500	-	-	(55,612)	(55,612)
Professional services	411,095	-	-	246,013	(165,082)	(165,082)
Main Street	66,709	-	-	-	(66,709)	(66,709)
Urban redevelopment	108,882	-	-	-	(108,882)	(108,882)
Interest expense	9,234	-	-	-	(9,234)	(9,234)
Total Governmental Activities	<u>4,562,813</u>	<u>422,506</u>	<u>109,196</u>	<u>355,107</u>	<u>(3,676,004)</u>	<u>(3,676,004)</u>
Total Primary Government	<u>\$ 4,562,813</u>	<u>\$ 422,506</u>	<u>\$ 109,196</u>	<u>\$ 355,107</u>	<u>\$ (3,676,004)</u>	<u>\$ (3,676,004)</u>
<b>General Revenues:</b>						
Taxes					1,574,652	1,574,652
Licenses and permits					1,370,016	1,370,016
Fines and forfeitures					96,959	96,959
Interest					59,666	59,666
Gain (loss) in Fire Department Bellevue Dayton					(691,398)	(691,398)
Miscellaneous					109,099	109,099
Total General Revenues					<u>2,518,994</u>	<u>2,518,994</u>
<b>CHANGE IN NET POSITION</b>					<u>(1,157,010)</u>	<u>(1,157,010)</u>
<b>NET POSITION - BEGINNING</b>					<u>3,338,216</u>	<u>3,338,216</u>
<b>NET POSITION - ENDING</b>					<u>\$ 2,181,206</u>	<u>\$ 2,181,206</u>

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

<b>CITY OF DAYTON, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2019</b>
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	<u>General Fund</u>	<u>Municipal Aid</u>	<u>Urban Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,949,598	\$ 128,096	\$ 807,469	\$ 50,410	\$ 2,935,573
Accounts receivable	717,131	-	66,760	36,249	820,140
Due from other funds	-	-	-	49,953	49,953
Total Assets	<u>\$ 2,666,729</u>	<u>\$ 128,096</u>	<u>\$ 874,229</u>	<u>\$ 136,612</u>	<u>\$ 3,805,666</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 35,661	\$ -	\$ -	\$ 80,812	\$ 116,473
Accrued liabilities	36,925	-	-	-	36,925
Deposits	3,245	-	-	-	3,245
Due to other funds	49,953	-	-	-	49,953
Deferred revenue	179,068	-	66,760	6,890	252,718
Total Liabilities	<u>304,852</u>	<u>-</u>	<u>66,760</u>	<u>87,702</u>	<u>459,314</u>
<b>FUND BALANCES</b>					
Restricted	-	128,096	-	-	128,096
Committed	-	-	807,469	48,910	856,379
Unassigned	2,361,877	-	-	-	2,361,877
Total Fund Balances	<u>2,361,877</u>	<u>128,096</u>	<u>807,469</u>	<u>48,910</u>	<u>3,346,352</u>
Total Liabilities and Fund Balances	<u>\$ 2,666,729</u>	<u>\$ 128,096</u>	<u>\$ 874,229</u>	<u>\$ 136,612</u>	<u>\$ 3,805,666</u>

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2019</b></p>
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**Total Governmental Fund Balances** \$ 3,346,352

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

Capital assets of \$5,841,966, net of accumulated depreciation of \$2,249,842, used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 3,592,124

Long-term revenue deferrals are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 252,718

Deferred outflows and inflows related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds:

Deferred outflows related to pensions	1,102,101
Deferred outflows related to OPEB	406,209
Deferred inflows related to pensions	(246,609)
Deferred inflows related to OPEB	(209,945)

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

Capital lease obligations	(282,126)
Investment in joint venture	(1,631,177)
Net pension liability	(3,206,176)
Net OPEB liability	<u>(942,265)</u>

**Net Position of Governmental Activities** \$ 2,181,206

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

**CITY OF DAYTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2019**

	General Fund	Municipal Aid	Urban Renewal	Minor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,462,289	\$ -	\$ -	\$ 183,809	\$ 1,646,098
Licenses and permits	1,370,016	-	-	-	1,370,016
Intergovernmental	132,924	109,094	-	-	242,018
Charges for services	422,505	-	-	-	422,505
Fines and forfeitures	96,959	-	-	-	96,959
Interest	40,739	2,871	15,233	823	59,666
Miscellaneous	326,384	-	5,000	-	331,384
Total Revenues	<u>3,851,816</u>	<u>111,965</u>	<u>20,233</u>	<u>184,632</u>	<u>4,168,646</u>
<b>EXPENDITURES</b>					
General government	493,423	-	-	-	493,423
Police department	1,251,784	-	-	-	1,251,784
Fire department	888,727	-	-	-	888,727
Public works	305,050	5,239	-	-	310,289
Building services	75,723	-	-	-	75,723
Waste collection	225,029	-	-	-	225,029
Recreation	-	-	-	111,651	111,651
Professional services	285,503	-	-	125,592	411,095
Main Street	66,709	-	-	-	66,709
Urban redevelopment	-	-	108,882	-	108,882
Debt service	40,106	-	-	-	40,106
Capital outlay	276,861	120,466	-	7,000	404,327
Total Expenditures	<u>3,908,915</u>	<u>125,705</u>	<u>108,882</u>	<u>244,243</u>	<u>4,387,745</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(57,099)</u>	<u>(13,740)</u>	<u>(88,649)</u>	<u>(59,611)</u>	<u>(219,099)</u>
<b>OTHER SOURCES (USES)</b>					
Transfers in	30,000	-	-	39,280	69,280
Transfers out	(39,280)	(30,000)	-	-	(69,280)
Sale of property	-	-	212,327	-	212,327
Total Other Sources (Uses)	<u>(9,280)</u>	<u>(30,000)</u>	<u>212,327</u>	<u>39,280</u>	<u>212,327</u>
<b>CHANGE IN FUND BALANCES</b>	(66,379)	(43,740)	123,678	(20,331)	(6,772)
<b>FUND BALANCES - BEGINNING</b>	<u>2,428,256</u>	<u>171,836</u>	<u>683,791</u>	<u>69,241</u>	<u>3,353,124</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,361,877</u>	<u>\$ 128,096</u>	<u>\$ 807,469</u>	<u>\$ 48,910</u>	<u>\$ 3,346,352</u>

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>June 30, 2019</b></p>
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**Net Change in Fund Balances-Total Governmental Funds** \$ (6,772)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays of \$404,327 exceeded depreciation expense (\$168,172) in the current period.

Capital outlays	404,327
Depreciation	(168,172)

The gain or (loss) on the Investment in Joint Venture of the Fire Department of Bellevue and Dayton do not provide or use current financial resources, but are recorded as a current period gain or loss on the Statement of Activities (691,398)

Revenues in the statement of activities that do not provide current financial resources 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 activities. This is the net effect of those changes. (283,773)

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.

Cost of benefits earned - pensions	(363,750)
Cost of benefits earned - OPEB	(78,344)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 30,872

**Change in Net Position of Governmental Activities** \$ (1,157,010)

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



**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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, Kentucky is a municipality governed by a mayor and six-member council. As defined by GAAP, and established by GASB, the financial reporting entity consists of the primary government (The City of Dayton, Kentucky as legally defined). Potential component units were considered for inclusion in the financial reporting entity. Component units are separate organizations for which the elected officials of the primary government would be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will is held by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

The City does not have any component units to be included in its financial report.

**BASIS OF PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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 services. The City has no business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

***Fund Financial Statements***

Separate financial statements are provided for governmental funds. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The City uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Governmental funds** are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The City's governmental funds are as follows:

*General Fund* – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

*Capital Projects Fund* – The Capital Projects Fund accounts for the construction, rehabilitation, and acquisition of capital assets, such as buildings, equipment, and roads. The City is not required to account for all capital expenditures in this fund and therefore capital items may appear in the other funds as well.

*Special Revenue Funds* – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Special Revenue Funds include:

- *Municipal Road Aid Fund* – to account for revenues and related expenses provided by the Commonwealth of Kentucky's Transportation Cabinet through the Department for Local Government.
- *Park Board Fund* – to account for City park expenditures and projects.
- *TIF Fund* – to account for the revenues and related expenses for the City's Tax Increment Financing Districts at Manhattan Harbor and Grant Park.
- *Urban Renewal Fund* – to account for urban renewal projects which the City sponsors.

**BASIS OF ACCOUNTING** – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual** – The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual** – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2019.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents include amounts in 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:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

**PROPERTY TAXES AND TAX CALENDAR** - Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed in September and are due and payable in November. The due date is set each year by council, by ordinance. After the due date, the bill becomes delinquent and penalties and interest may be assessed by the City and a lien may be placed on the property. Property tax rates for the year ended June 30, 2019, were \$0.495 per \$100 valuation for real property (\$0.445 for general use and \$0.050 for park tax) and \$.739 per \$100 valuation for personal property. The assessed value of property on which the levy for 2018 was based was \$206,039,579 for real property and \$5,209,188 for personal property.

**PREPAIDS** - Payments made to vendors for services that will benefit periods reported as prepaid items under the purchases method.

**INTERFUND ACTIVITY AND ADVANCE RECEIVABLE** – Reciprocal interfund activity includes interfund loans – amounts provided with a requirement for repayment, reported as interfund receivables and payables in the respective funds and interfund services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value, recorded as revenues and expenses in the respective funds. Unpaid amounts would be reported as receivables and payables in the respective funds. Nonreciprocal interfund activity includes interfund transfers – flows of assets without equivalent flows of assets in return, and interfund reimbursements – repayments by the responsible fund.

**SHORT-TERM INTER-FUND RECEIVABLE/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”.

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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CAPITAL ASSETS - General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. Generally, capitalizable items with a cost of \$5,000 or more and two years of useful life are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2001, governmental funds infrastructure assets had not previously been capitalized. The City has opted to not retroactively report its major general infrastructure assets. Infrastructure assets (starting July 1, 2001) have been valued at cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings	40	years
Public Doman Infrastructure	40	years
Improvements	15	years
Vehicles	5	years
Machinery and Equipment	7	years
Furniture and Fixtures	7	years

COMPENSTATED ABSENCES – The City reports compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. It is the government’s policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate compensated absences as they become due and payable.

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

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**PENSIONS** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB), HEALTH INSURANCE** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value

**FUND EQUITY** – In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

*Non-spendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form – long-term receivables and prepaid items; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Municipal Road Aid Fund has a restricted fund balance

*Committed fund balance* - These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision making authority). Those committed amounts cannot be used for any other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Special Revenue Funds have committed fund balances.

*Assigned fund balance* – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed. The City has no assigned fund balances.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has no General Fund minimum fund balance target as of June 30, 2019. No other fund balance policies exist.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed. The City has no outstanding encumbrances as of June 30, 2019.

**ESTIMATES AND UNCERTAINTIES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

- A. In accordance with City ordinance, by June 1<sup>st</sup>, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
  
- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end. Annual budgets are adopted on a basis consistent with GAAP.

*Deficit fund balance*– The TIF Fund ended the fiscal year in a deficit net position of (\$34); no other funds of the City ended the year with a deficit fund balance.

**NOTE C – DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk – Deposits* – The City's deposits at June 30, 2019, were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the City's name. The amount of the City's deposits with financial institutions at June 30, 2019 was \$2,946,479. Of the total bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the City's deposits.

Kentucky Revised Statutes authorize cities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2019</b>
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Interest rate risk – In accordance with the City’s investment policy, interest rate risk is minimized by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

**NOTE D – INVESTMENT IN JOINT VENTURE**

The City, along with the City of Bellevue, Kentucky, own equal shares in a joint venture limited liability corporation, the Fire Department of Bellevue and Dayton (FDBD). Each City annually records, as an investment in joint venture, 50% of the net position of FDBD on its Statement of Net Position, and an adjustment for the amount of change is recognized in the Statement of Activities. The total investment in the joint venture at June 30, 2019 was (\$1,631,177) a decrease of \$691,398 from the prior year balance of (\$939,779). This decrease mainly due to the additional liability incurred for net unfunded OPEB liabilities.

The City had no other investments at June 30, 2019.

**NOTE E – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for governmental activities for the year ended June 30, 2019 is as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
<b>Governmental activities:</b>				
Assets not being depreciated				
Land	\$ 1,435,627	\$ -	\$ -	\$ 1,435,627
	<u>1,435,627</u>	<u>-</u>	<u>-</u>	<u>1,435,627</u>
Other capital assets				
Buildings	1,049,624	-	-	1,049,624
Infrastructure	2,010,485	127,967	-	2,138,452
Improvements	69,137	233,460	-	302,597
Vehicles	428,186	42,899	-	471,085
Equipment	364,132	-	-	364,132
Furniture	80,449	-	-	80,449
Subtotal	<u>4,002,013</u>	<u>404,326</u>	<u>-</u>	<u>4,406,339</u>
Accumulated depreciation				
Buildings	(849,735)	(8,741)	-	(858,476)
Infrastructure	(574,795)	(82,678)	-	(657,473)
Improvements	(33,738)	(6,178)	-	(39,916)
Vehicles	(326,504)	(37,635)	-	(364,139)
Equipment	(218,456)	(32,106)	-	(250,562)
Furniture and fixtures	(78,443)	(833)	-	(79,276)
Subtotal	<u>(2,081,671)</u>	<u>(168,171)</u>	<u>-</u>	<u>(2,249,842)</u>
Other capital assets, less depreciation	<u>1,920,342</u>	<u>236,155</u>	<u>-</u>	<u>2,156,497</u>
<b>Capital assets, net</b>	<u><u>\$ 3,355,969</u></u>	<u><u>\$ 236,155</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,592,124</u></u>

<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2019</b>
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Depreciation was charged to the following governmental activities:

Activity	Depreciation
Administration	\$ 40,425
Police	41,085
Public works	72,231
Recreation	14,430
Current year governmental activity depreciation expense	<u>\$ 168,171</u>

**NOTE F – CAPITAL LEASE PAYABLE**

On March 31, 2018, the Cities of Bellevue and Dayton, Kentucky jointly entered into a tax-exempt lease/purchase agreement with US Bancorp to purchase a fire truck for \$685,973 for the Fire Department of Bellevue and Dayton (FDBD). This truck was financed by the Cities and donated, as a capital contribution to the Cities investment in a joint venture, to the FDBD, upon delivery. Each City recognized one half of this investment asset, \$342,987, in their “Investment in a Joint Venture” account, and also recognized an offsetting amount in their respective capital lease payable accounts on the Statements of Net Position. The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

Year Ending June 30,:	Capital Lease Payable
2020	\$ 40,106
2021	40,106
2022	40,106
2022	40,106
2023	40,106
2024-2027	<u>120,318</u>
Total minimum lease payments	\$ 320,848
Less: amount representing interest	<u>(38,722)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 282,126</u>

**NOTE G – 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 accounts for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonable estimated.



<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2019</b>
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**NOTE H – INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable/payable balances of \$49,953 have been recorded between General Fund and the TIF Fund as of June 30, 2019. Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 30,000	\$ -
Municipal Road Aid Fund	-	30,000
	\$ 30,000	\$ 30,000

Transfers are used to move funds from the fund that statute or budget requires such funds to be received into the fund that statute or budget requires such funds to be disbursed from. Transfers are also used to move unrestricted funds collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to fund from which it was originally provided once a project is completed.

**NOTE I – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

Governmental fund balances as of June 30, 2019, consist of the following:

	General Fund	Municipal Road Aid Fund	Urban Renewal Fund	Minor Funds	Total
Restricted	\$ -	\$ 128,096	\$ -	\$ -	\$ 128,096
Committed	-	-	807,469	48,910	856,379
Unassigned	2,361,877	-	-	-	2,361,877
Total Fund Balance	\$ 2,361,877	\$ 128,096	\$ 807,469	\$ 48,910	\$ 3,346,352

**NOTE J – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

The City’s eligible employees are covered by the County Employees Retirement System (Plan)

**General information about the County Employees Retirement System (“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/>.

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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Membership in CERS consisted of the following at June 30, 2019:

	Non-hazardous	Hazardous	Total
Inactive memberships	144,233	10,702	154,935
Active Plan Members	84,632	9,402	94,034
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
	Number of participating employers		<u>1,140</u>

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications.

**PENSION PLAN**

**Non-Hazardous Pension Plan Description**

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive 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.

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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*Contributions* – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

**Hazardous Pension Plan Description**

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit or 55 years old, or at least 20 year service and any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service and 60 years old, or at least 25 years service and any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

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

*Contributions* – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**Contributions**

For non-hazardous duty employees, the City contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019. For hazardous duty employees, the City contributed 35.34%, of which 24.87% was for the pension fund and 10.47% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$82,151, of which \$62,034 was for the pension fund and \$20,117 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$218,312 of which \$153,616 was for the pension fund and \$64,697 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, 2019, the City reported a liability of \$3,206,176 (\$895,945 – non-hazardous and \$2,310,231 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's non-hazardous employer allocation proportion was 0.01471% of the total CERS non-hazardous duty employees and 0.095525% of the total CERS hazardous duty employees. For the year ended June 30, 2019, the City recognized an actuarial pension expense of \$363,750 in addition to its \$215,650 pension contribution.

At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 29,223	\$ (13,115)	\$ 183,855	\$ -	\$ 213,078	\$ (13,115)
Net difference between projected actual earnings on plan investments	41,662	(52,405)	85,629	(111,688)	127,291	(164,093)
Changes of assumptions	87,560	-	245,916	-	333,476	-
Changes in proportion and differences between contributions and proportionate share of contributions	20,400	(47,793)	192,206	(21,609)	212,606	(69,402)
Contributions subsequent to the measurement date	62,034	-	153,616	-	215,650	-
	<u>\$ 240,879</u>	<u>\$(113,313)</u>	<u>\$ 861,222</u>	<u>\$(133,297)</u>	<u>\$ 1,102,101</u>	<u>\$(246,610)</u>

The City's contributions subsequent to the measurement date of \$215,650 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Net
June 30,	Deferral
2019	\$ 414,321
2020	239,582
2021	1,182
2022	(15,244)
	<u>\$ 639,841</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%

<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2019</b>
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Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, 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.

### **Changes of Assumptions**

There have been no changes in actuarial assumptions since June 2017. In June 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- 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 (set-back 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 more accurately reflect experience.

<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2019</b>
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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	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

**Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

**Sensitivity of the City’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 6.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,127,902	\$ 895,945	\$ 701,605
Hazardous	2,894,568	2,310,231	1,827,167
Total	\$ 4,022,470	\$ 3,206,176	\$ 2,528,772

**HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

**Non-Hazardous OPEB Plan Description**

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

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

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

**Hazardous OPEB Plan Description**

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



<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$19.48 per month.

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

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

**Contributions**

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2019, was 5.26% of covered-employee payroll for non-hazardous duty employees and 10.47% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$20,117 for non-hazardous duty employees and \$64,697 for hazardous duty employees for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$942,265 (\$261,173 – non-hazardous and \$681,092 – hazardous) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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contributions of all governmental entities, actuarially determined. At June 30, 2018, the City's proportion of the non-hazardous plan was .01471%. At June 30, 2018, the City's proportion of the hazardous plan was 0.095525%. For the year ended June 30, 2019, the City recognized an actuarial OPEB expense of \$78,344 in addition to its \$84,814 OPEB contribution. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ (30,436)	\$ -	\$ (76,114)	\$ -	\$ (106,550)
Net difference between projected actual earnings on plan investments	-	(17,990)	-	(64,750)	-	(82,740)
Changes of assumptions	52,160	(603)	209,008	(1,863)	261,168	(2,466)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(18,093)	60,227	(96)	60,227	(18,189)
Contributions subsequent to the measurement date	20,117	-	64,697	-	84,814	-
	<u>\$ 72,277</u>	<u>\$ (67,122)</u>	<u>\$ 333,932</u>	<u>\$ (142,823)</u>	<u>\$ 406,209</u>	<u>\$ (209,945)</u>

The City's contributions subsequent to the measurement date, \$20,117 for non-hazardous duty employees and \$64,697 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending	Net
June 30,	Deferral
2019	\$ 55,306
2020	55,306
2021	17,710
2022	(8,460)
2023	(5,702)
Thereafter	(2,710)
	<u>\$ 111,450</u>

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	25 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

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 Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2019</b></p>
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**Changes of Assumptions**

In June 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- 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).

In 2018, the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.84% to 5.85%
- For the hazardous plan, the single discount rate changed from 5.96% to 5.97%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.85% for the non-hazardous plan and 5.97% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following table presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.85% for the non-hazardous plan and 5.97% for the hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.85%	5.85%	6.85%
Net OPEB liability, non-hazardous	\$ 339,222	\$ 261,173	\$ 194,690
Discount rate, hazardous	4.97%	5.97%	6.97%
Net OPEB liability, hazardous	946,749	681,090	468,423
Total	\$ 1,285,971	\$ 942,263	\$ 663,113

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 194,446	\$ 261,173	\$ 339,825
Net OPEB liability, hazardous	463,855	681,090	950,145
<b>Total</b>	<b>\$ 658,301</b>	<b>\$ 942,263</b>	<b>\$ 1,289,970</b>

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**NOTE K – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal or state governments. 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.

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

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 payment 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 department’s 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, 2019 is (\$1,631,177).

**NOTE L – COMMITMENTS**

The City is committed under a contract with the Fire Department of Bellevue-Dayton, LLC 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 2019-2020 will be approximately \$939,000.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE M – TAX ABATEMENTS**

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

Grant Park

The local participation TIF district for Grant Park was created in 2007 and requires the City to collect, hold, and payback to the developer 75% of the real property taxes collected in the district footprint for the city in a given year. This incentive allowed the developer to finance the large infrastructure expenses associated with the project. The incentive is in place for 20 years.

Manhattan Harbour

The local participation TIF district for Manhattan Harbour was initiated in 2014 and requires the city to collect, hold, and payback to the developer 50%-80% of the real property, payroll and occupational license taxes collected in the district footprint for City, County, Health, Library, and Cooperative Extension office in a given year. The incentive allows the developer to finance costs associated with:

- 1) Construction of Manhattan Boulevard,
- 2) Purchasing the Queen City Riverboat lease,
- 3) Aiding in the financing of a new city building (up to \$2,000,000), and
- 4) For public parking needed to support any multi-family rental or condominium projects.

In 2017, the Commonwealth of Kentucky initiated a TIF district for this project and has pledged an amount not-to-exceed \$8,000,000 of State Ad Valorem taxes towards approved public infrastructure costs within this district. The local participation TIF is in place for 30 years and the Commonwealth's participation TIF is in place for 20 years.

**NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 83 – *Certain Asset Retirement Obligations*

Statement No. 88 – *Certain Disclosures Related to Debt*

**NOTE O – FUTURE ACCOUNTING STANDARDS**

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

Statement No. 90 – *Majority Equity Interests* – Implementation in FY 2020

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2022

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE P – SUBSEQUENT EVENTS**

Management has evaluated events through January 24, 2020, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2019 through January 24, 2020 to disclose.

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ 2,428,256	\$ 2,428,256	\$ 2,428,256	\$ -
<b>Revenues</b>				
Taxes	1,552,200	1,552,200	1,462,289	(89,911)
Licenses and permits	1,322,900	1,322,900	1,370,016	47,116
Intergovernmental	69,700	69,700	132,924	63,224
Fines and penalties	86,000	86,000	96,959	10,959
Charges for services	441,250	441,250	422,505	(18,745)
Other	1,810,300	1,810,300	326,384	(1,483,916)
Interest	16,000	16,000	40,739	24,739
Resources Available for Appropriation	<u>7,726,606</u>	<u>7,726,606</u>	<u>6,280,072</u>	<u>(1,446,534)</u>
<b>Appropriations</b>				
General government	452,821	472,821	493,423	(20,602)
Police department	1,284,756	1,306,756	1,282,849	23,907
Fire department	928,833	928,833	928,833	-
Public works	342,310	342,310	324,386	17,924
Building services	75,712	75,712	75,723	(11)
Waste collection	194,000	194,000	225,029	(31,029)
Professional services	2,030,840	2,030,840	511,963	1,518,877
Main Street	79,078	79,078	66,709	12,369
Total Appropriations	<u>5,388,350</u>	<u>5,430,350</u>	<u>3,908,915</u>	<u>1,521,435</u>
<b>Excess of Resources over Appropriations</b>	<u>2,338,256</u>	<u>2,296,256</u>	<u>2,371,157</u>	<u>74,901</u>
<b>Other Sources (Uses)</b>				
Transfers in	-	-	30,000	30,000
Transfers out	(464,000)	(464,000)	(39,280)	424,720
Total Other Sources (Uses)	<u>(464,000)</u>	<u>(464,000)</u>	<u>(9,280)</u>	<u>454,720</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 1,874,256</u>	<u>\$ 1,832,256</u>	<u>\$ 2,361,877</u>	<u>\$ 529,621</u>

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

**NOTE -1 BUDGETING POLICIES**

The City follows the procedures established pursuant to Chapter 108 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. The budget for the governmental fund type is adopted on a basis consistent with the general accepted accounting principles. Budgeted amounts in the financial statements are as adopted by the City Council.



**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**MUNICIPAL ROAD AID FUND**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ 167,260	\$ 167,260	\$ 171,836	\$ 4,576
<b>Revenues</b>				
Intergovernmental	105,000	105,000	109,094	4,094
Interest	700	700	2,871	2,171
Resources Available for Appropriation	272,960	272,960	283,801	10,841
<b>Appropriations</b>				
Public works	30,000	30,000	155,705	(125,705)
Professional Services	242,960	242,960	-	242,960
Total Appropriations	272,960	272,960	155,705	117,255
<b>Excess of Resources over Appropriations</b>	-	-	128,096	128,096
<b>Other Sources (Uses)</b>				
Transfers in (out)	-	-	-	-
<b>Ending Budgetary Fund Balance</b>	\$ -	\$ -	\$ 128,096	\$ 128,096

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**URBAN RENEWAL FUND**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ 946,375	\$ 946,375	\$ 683,791	\$ (262,584)
<b>Revenues</b>				
Other	1,000	1,000	15,233	14,233
Miscellaneous	-	-	5,000	5,000
Resources Available for Appropriation	947,375	947,375	704,024	(243,351)
<b>Appropriations</b>				
Urban redevelopment	128,000	128,000	108,882	19,118
Capital outlay	200,000	200,000	-	200,000
Other	20,000	20,000	-	20,000
Total Appropriations	348,000	348,000	108,882	239,118
<b>Excess of Resources over Appropriations</b>	599,375	599,375	595,142	(4,233)
<b>Other Sources (Uses)</b>				
Sale of property	-	-	212,327	212,327
<b>Ending Budgetary Fund Balance</b>	<u>\$ 599,375</u>	<u>\$ 599,375</u>	<u>\$ 807,469</u>	<u>\$ 208,094</u>

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

**CITY OF DAYTON, KENTUCKY****MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS****Last Ten Fiscal Years**

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.014710%	0.015880%	0.014760%	0.016433%	0.016077%					
Proportionate share of the net pension liability (asset)	\$ 895,945	\$ 929,564	\$ 726,969	\$ 706,528	\$ 521,584					
Covered payroll in year of measurement	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	\$ 364,825					
Share of the net pension liability (asset) as a percentage of its covered payroll	251.86%	240.41%	198.94%	182.27%	142.97%					
Plan fiduciary net position as a percentage of total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 62,034	\$ 51,509	\$ 53,938	\$ 45,386	\$ 49,422	\$ 50,127				
Actual contribution	62,034	51,509	53,938	45,386	49,422	50,127				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	\$ 364,825				
Contributions as a percentage of covered payroll	17.78%	14.48%	13.95%	12.42%	12.75%	13.74%				

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2019**

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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 J in the Notes to the Financial Statements.

**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**  
**County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.095525%	0.08147%	0.07727%	0.08476%	0.09793%					
Proportionate share of the net pension liability (asset)	\$ 2,310,231	\$ 1,822,644	\$ 1,325,918	\$ 1,301,170	\$ 1,091,168					
Covered payroll in year of measurement	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724					
Share of the net pension liability (asset) as a percentage of its covered payroll	422.35%	325.16%	259.62%	298.55%	222.81%					
Plan fiduciary net position as a percentage of total pension liability	49.26%	49.80%	53.95%	57.52%	63.46%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023	\$ 106,613				
Actual contribution	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023	\$ 106,613				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724				
Contributions as a percentage of covered payroll	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%				

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2019**

The net pension liability as of June 30, 2019, is based on the June 30, 2018, 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 J in the Notes to the Financial Statements.

**CITY OF DAYTON, KENTUCKY****MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS****Last Ten Fiscal Years****Schedule of the City's Proportionate Share of the Net OPEB Liability  
County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.014710%	0.015880%								
Proportionate share of the net OPEB liability (asset)	\$ 261,173	\$ 319,262								
Covered payroll in year of measurement	\$ 355,727	\$ 386,652								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	73.42%	82.57%								
Plan fiduciary net position as a percentage of total OPEB liability	57.62%	52.40%								

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 20,117	\$ 16,719	\$ 18,173							
Actual contribution	20,117	16,719	18,173							
Contribution deficiency (excess)	-	-	-							
Covered payroll	\$ 348,909	\$ 355,727	\$ 386,652							
Contributions as a percentage of covered payroll	5.77%	4.70%	4.70%							

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

**CITY OF DAYTON, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS**  
**Last Ten Fiscal Years**

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.095525%	0.08147%								
Proportionate share of the net OPEB liability (asset)	\$ 681,090	\$ 673,465								
Covered payroll in year of measurement	\$ 546,993	\$ 560,545								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	124.52%	120.14%								
Plan fiduciary net position as a percentage of total OPEB liability	64.24%	59.00%								

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 64,697	\$ 51,144	\$ 52,411							
Actual contribution	64,697	51,144	52,411							
Contribution deficiency (excess)	-	-	-							
Covered payroll	\$ 617,923	\$ 546,993	\$ 560,545							
Contributions as a percentage of covered payroll	10.47%	9.35%	9.35%							

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2019**

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

<b>CITY OF DAYTON, KENTUCKY</b> <b>COMBINING BALANCE SHEET - MINOR GOVERNMENTAL FUNDS</b> <b>June 30, 2019</b>
--

	<u>Park Board</u>	<u>Tax Incentive Financing</u>	<u>Total Minor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 48,944	\$ 1,466	\$ 50,410
Accounts receivable	6,890	29,359	36,249
Due from other funds	-	49,953	49,953
<b>Total Assets</b>	<u>\$ 55,834</u>	<u>\$ 80,778</u>	<u>\$ 136,612</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 80,812	\$ 80,812
Deferred revenue	6,890	-	6,890
<b>Total Liabilities</b>	<u>6,890</u>	<u>80,812</u>	<u>87,702</u>
<b>Fund Balances</b>			
Committed	<u>48,944</u>	<u>(34)</u>	<u>48,910</u>
<b>Total Fund Balances</b>	<u>48,944</u>	<u>(34)</u>	<u>48,910</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 55,834</u>	<u>\$ 80,778</u>	<u>\$ 136,612</u>

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

**CITY OF DAYTON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - MINOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	Park Board	Tax Incentive Financing	Capital Projects	Total Minor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 104,497	\$ 79,312	\$ -	\$ 183,809
Other	-	-	-	-
Interest	823	-	-	823
<b>Total Revenues</b>	<u>105,320</u>	<u>79,312</u>	<u>-</u>	<u>184,632</u>
<b>Expenditures</b>				
Park expenses	111,437	-	-	111,437
TIF payments	-	79,312	-	79,312
Miscellaneous	7,214	-	-	7,214
Capital Outlay	7,000	-	39,280	46,280
<b>Total Expenditures</b>	<u>125,651</u>	<u>79,312</u>	<u>39,280</u>	<u>244,243</u>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<u>(20,331)</u>	<u>-</u>	<u>(39,280)</u>	<u>(59,611)</u>
<b>Other Sources (Uses)</b>				
Transfers in	-	-	39,280	39,280
Transfers out	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>39,280</u>	<u>39,280</u>
<b>Change in Fund Balances</b>	<u>(20,331)</u>	<u>-</u>	<u>-</u>	<u>(20,331)</u>
<b>Fund Balance - Beginning of Year</b>	<u>69,275</u>	<u>(34)</u>	<u>-</u>	<u>69,241</u>
<b>Fund Balance - End of Year</b>	<u>\$ 48,944</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 48,910</u>

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



**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**PARK BOARD FUND**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ 41,619	\$ 69,175	\$ 69,275	\$ 100
<b>Revenues</b>				
Taxes	100,000	100,000	104,497	4,497
Interest	200	200	823	623
Other	2,000	2,000	-	(2,000)
Resources Available for Appropriation	143,819	171,375	174,595	3,220
<b>Appropriations</b>				
Park expense	108,600	135,600	118,437	17,163
Miscellaneous expenses	1,000	1,000	7,214	(6,214)
Total Appropriations	109,600	136,600	125,651	10,949
<b>Excess of Resources over Appropriations</b>	34,219	34,775	48,944	14,169
<b>Other Sources (Uses)</b>				
Transfers in (out)	-	-	-	-
<b>Ending Budgetary Fund Balance</b>	\$ 34,219	\$ 34,775	\$ 48,944	\$ 14,169

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ -	\$ -	\$ -	\$ -
<b>Revenues</b>				
Interest	-	-	-	-
Resources Available for Appropriation	-	-	-	-
<b>Appropriations</b>				
Capital improvements	160,000	160,000	39,280	120,720
Grant match	239,000	239,000		239,000
Equipment	65,000	65,000	-	65,000
Total Appropriations	464,000	464,000	39,280	424,720
<b>Excess of Resources over Appropriations</b>	(464,000)	(464,000)	(39,280)	424,720
<b>Other Sources (Uses)</b>				
Transfers in (out)	464,000	464,000	39,280	(424,720)
<b>Ending Budgetary Fund Balance</b>	\$ -	\$ -	\$ -	\$ -

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**TAX INCREMENT FINANCING FUND**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Fund Balance Forward</b>	\$ 1,500	\$ 1,500	\$ (34)	\$ (1,534)
<b>Revenues</b>				
Taxes	125,000	125,000	79,312	(45,688)
Resources Available for Appropriation	126,500	126,500	79,278	(47,222)
<b>Appropriations</b>				
TIF payment	125,000	125,000	79,312	45,688
Miscellaneous expenses	-	-	-	-
Total Appropriations	125,000	125,000	79,312	45,688
<b>Excess of Resources over Appropriations</b>	1,500	1,500	(34)	(1,534)
<b>Other Sources (Uses)</b>				
Transfers in (out)	-	-	-	-
<b>Ending Budgetary Fund Balance</b>	\$ 1,500	\$ 1,500	\$ (34)	\$ (1,534)



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

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

**To the Honorable Mayor and  
Members of Council  
City of Dayton, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Dayton, Kentucky as of June 30, 2019 and the related notes to the financial statements which collectively comprise the City of Dayton, Kentucky's financial statements, and have issued our report thereon dated January 24, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Dayton, Kentucky'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, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dayton, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dayton, Kentucky's financial statements are free of 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Van Gorder, Walker & Co., Inc.  
Certified Public Accountants

**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.  
Erlanger, Kentucky  
January 24, 2020