

February 26, 2021

To the Mayor and Council Members  
City of Dayton, Kentucky  
514 Sixth Avenue  
Dayton, Kentucky 41074

We have audited the financial statements of the City of Dayton, Kentucky (City) for the year ended June 30, 2020, and have issued our report thereon dated February 26, 2021. Professional standards (AUC 260) require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 20, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of City of Dayton, Kentucky. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Dayton, Kentucky are described in Note A to the financial statements.

The application of existing policies was not changed during year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of fixed asset depreciation is based on the depreciation basis as described in the Note A and detailed in Note E to the Financial Statements. We evaluated the key factors and assumptions used to develop the fixed asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Per requirements issued under the Government Accounting Standards Board (GASB) Statement No. 68, the City recognized, on its statement of net position only, its proportionate share of the Kentucky County Employee Retirement System's unfunded pension liability. Adjustments are made annually to the net unfunded pension liability and to related deferred inflows and outflows of resources related to pension costs. Details of this pension adjustment are disclosed in Note J to the Financial Statements and further disclosures, over the last ten years, are made as required supplementary information.

Per requirements issued under the Government Accounting Standards Board (GASB) Statement No. 75, the City recognized, on its statement of net position only, its proportionate share of the Kentucky County Employee Retirement System's unfunded other post-employment employee benefits (OPEB) liability. Adjustments are made annually to the net unfunded OPEB liability and to related deferred inflows and outflows of resources related to OPEB costs. Details of this OPEB adjustment are disclosed in Note J to the Financial Statements and further disclosures, over the last ten years, are made as required supplementary information.

The disclosures in the financial statements are neutral, consistent, and clear. There are no financial statement disclosures that are particularly sensitive because of their significance to financial statement users.

#### *Difficulties Encountered in Performing the Audit*

We encountered **no** significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We made one audit adjustment to the funds as a result of our audit procedures:

- Reclassified \$1,500 receivable in the Urban Renewal (TIF) Fund

Management has accepted and recorded these adjustments.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that **no** such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 26, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Over Financial Reporting**

Professional standards (*AUC 265*) require that we provide you with information concerning the City's internal control over financial reporting. This information was provided as part of the City's Annual Financial Report in the "**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***", found on pages 50-51 of the Annual Financial Report.

**Management Items**

In planning and performing our audit of the financial statements of the City, for the year ended June 30, 2020, we considered internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We have no management comments to offer this year.

This letter is solely for the use of the City Council of the City of Dayton, Kentucky and should not be used for any other purpose. Please feel free to contact us if we can be of any assistance. Thank you for allowing us to be of service to the City of Dayton, Kentucky

*Van Gorder, Walker & Co., Inc.*

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Certified Public Accountants  
Erlanger, Kentucky