

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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CITY OF DAYTON, KENTUCKY

CITY OFFICIALS

As of June 30, 2020

Mayor

Ben Baker

Council Members

Scott Beseler

Denny Lynn

Bill Burns

Joe Neary

Tammy Cornett

Jeff Volter

City Administrator

Michael Giffen

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, 2020, 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, 2020, 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 45 - 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 February 26, 2021 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 solely 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 the effectiveness of the City of Dayton, Kentucky's 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.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
February 26, 2021

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended 2020

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, 2020. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is \$899,553.
- During the year, the City had expenses that were \$297,715 more than the \$4,135,420 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 \$4,062,584 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 \$1,057,314 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 2020

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 \$898,053 as of June 30, 2020. 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, 2020 and 2019:

Net Position

	Governmental Activities	
	2020	2019
Current assets	\$ 3,537,248	\$ 3,755,713
Capital assets	3,898,989	3,592,124
Total assets	<u>7,436,237</u>	<u>7,347,837</u>
Deferred outflows of resources	1,652,375	1,508,310
Total assets and deferred outflows of resources	<u>9,088,612</u>	<u>8,856,147</u>
Current liabilities	300,920	188,426
Long-term liabilities	7,499,807	6,029,961
Total liabilities	<u>7,800,727</u>	<u>6,218,387</u>
Deferred inflows of resources	388,332	456,554
Total liabilities and deferred inflows of resources	<u>8,189,059</u>	<u>6,674,941</u>
Net investment in capital assets	3,648,646	3,309,998
Restricted-Municipal Road Aid	125,942	128,096
Unrestricted	(2,875,035)	(1,256,888)
Total Net Position	<u>\$ 899,553</u>	<u>\$ 2,181,206</u>

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
For the Year Ended 2020

The following is a comparison of the change in net position for 2020 and 2019:

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 404,884	\$ 422,506
Operating grants	476,757	109,196
Capital grants	345,443	355,107
General revenues:		
Property taxes	1,620,234	1,574,652
Licenses & permits	1,319,447	1,370,016
Fines & forfeitures	84,077	96,959
Interest	31,651	59,666
Investment in Fire Department	(531,109)	(691,398)
Other	138,982	109,099
Total revenues	<u>3,890,366</u>	<u>3,405,803</u>
Expenses:		
General government	658,111	565,744
Police	1,971,594	1,644,173
Fire	939,445	918,528
Public works	495,569	404,584
Building service	83,500	75,723
Waste collection	225,102	225,029
Recreation	115,525	133,112
Professional services	536,556	411,095
Main Street	71,397	66,709
Urban redevelopment	66,897	108,882
Interest	8,323	9,234
Total expenses	<u>5,172,019</u>	<u>4,562,813</u>
Change in net position	(1,281,653)	(1,157,010)
Net position-Beginning	2,181,206	3,338,216
Net position-End of year	<u>\$ 899,553</u>	<u>\$ 2,181,206</u>

The City's net position decreased by (\$1,281,653) 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 2020

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 \$2,111,569. This is available for spending for our citizens.

GENERAL FUND BUDGETING HIGHLIGHTS

City Council passed an original budget for 2019-2020 and made one set of amendments to the budget. Actual resources available for appropriation were \$1,876,777 more than budgeted amounts; taxes were (\$170,054) 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, 2020, amounts to \$6,365,525. The following table details the capital assets owned by the City in 2020 and 2019 and the corresponding change in capital assets in 2020:

Capital Assets

	Governmental Activities	
	2020	2019
Land	\$ 1,435,627	\$ 1,435,627
Buildings	1,049,624	1,049,624
Infrastructure	2,190,132	2,138,452
Improvements	606,207	302,597
Equipment	456,584	364,132
Vehicles	546,902	471,085
Furniture	80,449	80,449
Subtotals	<u>6,365,525</u>	<u>5,841,966</u>
Accumulated depreciation	<u>(2,466,536)</u>	<u>(2,249,842)</u>
Net Capital Assets	<u><u>\$ 3,898,989</u></u>	<u><u>\$ 3,592,124</u></u>

This year's major additions and deletions included:

Purchases of vehicles and equipment	\$ 168,269
Infrastructure projects for streets	51,680
River Walk Bike Trail and other improvements	303,610
Net depreciation added	<u>(216,694)</u>
Net change in Net Capital Assets	<u><u>\$ 306,865</u></u>

**CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
For the Year Ended 2020**

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 2020 and 2019.

Long Term Debt

	Governmental Activities	
	2020	2019
Capital Lease - Fire Truck	\$ 250,343	\$ 282,126
Total Long Term Debt	\$ 250,343	\$ 282,126

The City's long term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of \$5,119,898 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of \$2,162,287.

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 2020-2021 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2020-2021 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

CITY OF DAYTON, KENTUCKY STATEMENT OF NET POSITION June 30, 2020

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,614,459
Accounts receivable	922,789
Total current assets	<u>3,537,248</u>
Noncurrent assets	
Capital assets	
Land	1,435,627
Depreciable assets	4,929,898
Less: accumulated depreciation	<u>(2,466,536)</u>
Net capital assets	<u>3,898,989</u>
Total assets	<u>7,436,237</u>
Deferred outflows of resources	
Deferred outflows related to net pension and OPEB liabilities - CERS	1,652,375
Total assets and deferred outflows of resources	<u>9,088,612</u>
Liabilities	
Current liabilities	
Accounts payable	224,185
Accrued liabilities	40,919
Deposits	3,095
Current portion of capital lease obligations	32,721
Total current liabilities	<u>300,920</u>
Noncurrent liabilities	
Noncurrent portion of capital lease obligations	217,622
Investment in joint venture	2,162,287
Net pension and OPEB liability	<u>5,119,898</u>
Total noncurrent liabilities	<u>7,499,807</u>
Total liabilities	<u>7,800,727</u>
Deferred inflows of resources	
Deferred inflows related to net pension and OPEB liabilities - CERS	388,332
Total liabilities and deferred inflows of resources	<u>8,189,059</u>
Net position	
Net invested in capital assets	3,648,646
Restricted	125,942
Unrestricted	<u>(2,875,035)</u>
Total net position	<u>\$ 899,553</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, 2020

Functions/Programs: Primary Government:					Net (Expense) Revenue and Changes in Net Position Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
General government	\$ 658,111	\$ 13,531	\$ 16,967	\$ -	\$ (627,613)	\$ (627,613)
Police department	1,971,594	29,185	448,714	-	(1,493,695)	(1,493,695)
Fire department	939,445	-	7,289	-	(932,156)	(932,156)
Public works	495,569	-	3,787	106,254	(385,528)	(385,528)
Building service	83,500	-	-	-	(83,500)	(83,500)
Waste collection	225,102	284,668	-	-	59,566	59,566
Recreation	115,525	77,500	-	-	(38,025)	(38,025)
Professional services	536,556	-	-	239,189	(297,367)	(297,367)
Main Street	71,397	-	-	-	(71,397)	(71,397)
Urban redevelopment	66,897	-	-	-	(66,897)	(66,897)
Interest expense	8,323	-	-	-	(8,323)	(8,323)
Total governmental activities	5,172,019	404,884	476,757	345,443	(3,944,935)	(3,944,935)
Total primary government	\$ 5,172,019	\$ 404,884	\$ 476,757	\$ 345,443	(3,944,935)	(3,944,935)
			General revenues:			
			Taxes		1,620,234	1,620,234
			Licenses and permits		1,319,447	1,319,447
			Fines and forfeitures		84,077	84,077
			Interest		31,651	31,651
			Gain (loss) in Fire Department Bellevue Dayton		(531,109)	(531,109)
			Miscellaneous		138,982	138,982
			Total general revenues		2,663,282	2,663,282
			Change in net position		(1,281,653)	(1,281,653)
			Net position, beginning of year		2,181,206	2,181,206
			Net position, end of year		\$ 899,553	\$ 899,553

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

CITY OF DAYTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Municipal Aid	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,588,799	\$ 180,622	\$ 750,148	\$ 94,890	\$ 2,614,459
Accounts receivable	823,779	-	57,760	41,250	922,789
Due from other funds	-	6,000	1,500	62,665	70,165
Total assets	\$ 2,412,578	\$ 186,622	\$ 809,408	\$ 198,805	\$ 3,607,413
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 36,908	\$ 60,680	\$ 2,092	\$ 124,505	\$ 224,185
Accrued liabilities	40,919	-	-	-	40,919
Deposits	3,095	-	-	-	3,095
Due to other funds	66,877	-	-	3,288	70,165
Deferred revenue	153,210	-	57,760	7,942	218,912
Total liabilities	301,009	60,680	59,852	135,735	557,276
Fund balances					
Restricted	-	125,942	-	-	125,942
Committed	-	-	749,556	63,070	812,626
Unassigned	2,111,569	-	-	-	2,111,569
Total fund balances	2,111,569	125,942	749,556	63,070	3,050,137
Total liabilities and fund balances	\$ 2,412,578	\$ 186,622	\$ 809,408	\$ 198,805	\$ 3,607,413

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

<p>CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020</p>

Total governmental fund balances \$ 3,050,137

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

Capital assets of \$6,365,525, net of accumulated depreciation of (\$2,466,536), used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 3,898,989

Long-term revenue deferrals are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 218,912

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	1,143,069
Deferred outflows related to OPEB	509,306
Deferred inflows related to pensions	(87,953)
Deferred inflows related to OPEB	(300,379)

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

Capital lease obligations	(250,343)
Investment in joint venture	(2,162,287)
Net pension liability	(4,062,584)
Net OPEB liability	<u>(1,057,314)</u>

Net position of governmental activities \$ 899,553

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

CITY OF DAYTON, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Municipal Aid	Urban Renewal	Minor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,427,146	\$ -	\$ -	\$ 226,894	\$ 1,654,040
Licenses and permits	1,319,447	-	-	-	1,319,447
Intergovernmental	156,896	106,254	-	-	263,150
Charges for services	404,884	-	-	-	404,884
Fines and forfeitures	84,077	-	-	-	84,077
Interest	20,361	1,722	8,984	584	31,651
Miscellaneous	378,171	-	-	-	378,171
Total revenues	<u>3,790,982</u>	<u>107,976</u>	<u>8,984</u>	<u>227,478</u>	<u>4,135,420</u>
Expenditures					
General government	585,090	-	-	-	585,090
Police department	1,230,124	-	-	-	1,230,124
Fire department	924,276	-	-	-	924,276
Public works	319,612	28,450	-	22,617	370,679
Building services	83,500	-	-	-	83,500
Waste collection	225,102	-	-	-	225,102
Recreation	-	-	-	94,210	94,210
Professional services	417,448	-	-	119,108	536,556
Main Street	71,397	-	-	-	71,397
Urban redevelopment	-	-	66,897	-	66,897
Debt service	40,106	-	-	-	40,106
Capital outlay	379,427	51,680	-	92,452	523,559
Total expenditures	<u>4,276,082</u>	<u>80,130</u>	<u>66,897</u>	<u>328,387</u>	<u>4,751,496</u>
Excess (deficit) of revenues over expenditures	<u>(485,100)</u>	<u>27,846</u>	<u>(57,913)</u>	<u>(100,909)</u>	<u>(616,076)</u>
Other financing sources (uses)					
Transfers in	30,000	-	-	115,069	145,069
Transfers out	(115,069)	(30,000)	-	-	(145,069)
CARES ACT	319,861	-	-	-	319,861
Total other financing sources (uses)	<u>234,792</u>	<u>(30,000)</u>	<u>-</u>	<u>115,069</u>	<u>319,861</u>
Net change in fund balances	(250,308)	(2,154)	(57,913)	14,160	(296,215)
Fund balances - beginning of year	2,361,877	128,096	807,469	48,910	3,346,352
Fund balances - end of year	<u>\$ 2,111,569</u>	<u>\$ 125,942</u>	<u>\$ 749,556</u>	<u>\$ 63,070</u>	<u>\$ 3,050,137</u>

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

<p>CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES June 30, 2020</p>

Net change in fund balances-total governmental funds \$ (296,215)

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 \$523,559 exceeded depreciation expense (\$216,694) in the current period.

Capital outlays	523,559
Depreciation	(216,694)

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 (531,109)

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. (33,806)

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 - CERS	(656,782)
Cost of benefits earned - OPEB - CERS	(102,389)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 31,783

Change in net position of governmental activities \$ (1,281,653)

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

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

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, 2020

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, 2020

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, 2020.

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, 2020, were \$0.456 per \$100 valuation for real property (\$0.5009 for general use and \$0.050 for park tax) and \$.719 per \$100 valuation for personal property. The assessed value of property on which the levy for 2019 was based was \$208,749,442 for real property and \$5,280,252 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>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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, 2020

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, 2020. No other fund balance policies exist.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

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, 2020.

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 1st, 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 (\$35); 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, 2020, 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, 2020 was \$2,614,459. 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.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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, 2020 was (\$2,162,287) a decrease of \$531,109 from the prior year balance of (\$1,631,177). This decrease mainly due to the additional liability incurred for net unfunded OPEB liabilities.

The City had no other investments at June 30, 2020.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2020 is as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020
Governmental activities:				
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	2,138,452	51,680	-	2,190,132
Improvements	302,597	303,610	-	606,207
Vehicles	471,085	75,817	-	546,902
Equipment	364,132	92,452	-	456,584
Furniture	80,449	-	-	80,449
Subtotal	<u>4,406,339</u>	<u>523,559</u>	<u>-</u>	<u>4,929,898</u>
Accumulated depreciation				
Buildings	(858,476)	(8,115)	-	(866,591)
Infrastructure	(657,473)	(86,860)	-	(744,333)
Improvements	(39,916)	(32,865)	-	(72,781)
Vehicles	(364,139)	(50,875)	-	(415,014)
Equipment	(250,562)	(37,588)	-	(288,150)
Furniture and fixtures	(79,276)	(391)	-	(79,667)
Subtotal	<u>(2,249,842)</u>	<u>(216,694)</u>	<u>-</u>	<u>(2,466,536)</u>
Other capital assets, less depreciation	<u>2,156,497</u>	<u>306,865</u>	<u>-</u>	<u>2,463,362</u>
Capital assets, net	<u>\$ 3,592,124</u>	<u>\$ 306,865</u>	<u>\$ -</u>	<u>\$ 3,898,989</u>

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Depreciation was charged to the following governmental activities:

Activity	Depreciation
General government	\$ 39,520
Police	61,627
Public works	101,586
Recreation	13,961
Current year governmental activity depreciation expense	<u>\$ 216,694</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, 2020:

Year Ending June 30	Capital Lease Payable
2021	\$ 40,106
2022	40,106
2023	40,106
2024	40,106
2025	40,106
2026-2027	<u>80,212</u>
Total minimum lease payments	\$ 280,742
Less: amount representing interest	<u>(30,399)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 250,343</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.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable/payable balances of \$68,665 have been recorded between General Fund and the TIF Fund as of June 30, 2020. Interfund transfers for the year ended June 30, 2020, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 66,877
TIF	60,877	3,288
Urban Renewal	1,500	
Park Board Fund	1,788	-
Municipal Road Aid Fund	6,000	-
	\$ 70,165	\$ 70,165

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, 2020, consist of the following:

	General Fund	Municipal Road Aid Fund	Urban Renewal Fund	Minor Funds	Total
Restricted	\$ -	\$ 125,942	\$ -	\$ -	\$ 125,942
Committed	-	-	749,556	63,070	812,626
Unassigned	2,111,569	-	-	-	2,111,569
Total Fund Balance	\$ 2,111,569	\$ 125,942	\$ 749,556	\$ 63,070	\$ 3,050,137

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 (County Employees Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“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>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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. The City has both Non-Hazardous and Hazardous employees.

Membership in CERS consisted of the following at June 30, 2019:

	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
	Number of participating employers		<u>1,140</u>

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 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.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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

	<u>Required Contribution</u>
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 and 55 years old, or any age with 20 years of service.
	Reduced retirement	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 credit and 60 years old or any age with 25 years of service.
	Reduced retirement	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 credit 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:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

Contributions

For non-hazardous duty employees, the City contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

For hazardous duty employees, the City contributed 39.58% of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$118,148, of which \$94,774 was for the pension fund and \$23,374 was for the health insurance fund.

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$234,636, of which \$178,200 was for the pension fund and \$56,436 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, 2020, the City reported a liability of \$4,062,584 as its proportionate share of the net pension liability (\$1,066,350 for the non-hazardous plan and \$2,996,234 for the hazardous duty plan) The net pension liability was measured as of June 30, 2019, 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, 2019, the City's non-hazardous employer allocation proportion was 0.01516% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.108469% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$656,781 in addition to its \$272,974 pension contribution.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 27,227	\$ (4,506)	\$ 127,303	\$ -	\$ 154,530	\$ (4,506)
Net difference between projected actual earnings on plan investments	-	(17,190)	-	(42,405)	-	(59,595)
Changes of assumptions	107,927	-	290,842	-	398,769	-
Changes in proportion and differences between contributions and proportionate share of contributions	25,856	(23,852)	290,940	-	316,796	(23,852)
Contributions subsequent to the measurement date	94,774	-	178,200	-	272,974	-
	<u>\$ 255,784</u>	<u>\$ (45,548)</u>	<u>\$ 887,285</u>	<u>\$ (42,405)</u>	<u>\$ 1,143,069</u>	<u>\$ (87,953)</u>

The City's contributions subsequent to the measurement date of \$272,974 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 480,908
2021	221,325
2022	75,990
2023	3,919
2024	-
Thereafter	-
	<u>\$ 782,142</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

The mortality table used for active members is Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

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 Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

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.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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	\$ 1,333,702	\$ 1,066,350	\$ 843,515
Hazardous	3,745,965	2,996,234	2,381,563
Total	<u>\$ 5,079,667</u>	<u>\$ 4,062,584</u>	<u>\$ 3,225,078</u>

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.

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, 2018, the contribution was \$13.38 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, 2018, the contribution was \$13.38 per month.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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.

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, 2018, the contribution was \$20.07 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	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 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%

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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 was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% 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 \$23,374 for non-hazardous duty employees and \$56,436 for hazardous duty employees for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$1,057,314 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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 contributions of all governmental entities, actuarially determined. At June 30, 2019, the City's proportion of the non-hazardous plan was 0.01516% and the hazardous plan was 0.108448%.

For the year ended June 30, 2020, the City recognized an OPEB expense of \$102,389. 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (76,925)	\$ -	\$ (149,266)	\$ -	\$ (226,191)
Net difference between projected actual earnings on plan investments	-	(11,324)	-	(46,131)	-	(57,455)
Changes of assumptions	75,442	(504)	242,471	(1,519)	317,913	(2,023)
Changes in proportion and differences between contributions and proportionate share of contributions	5,722	(14,652)	105,861	(58)	111,583	(14,710)
Contributions subsequent to the measurement date	23,374	-	56,436	-	79,810	-
	<u>\$ 104,538</u>	<u>\$ (103,405)</u>	<u>\$ 404,768</u>	<u>\$ (196,974)</u>	<u>\$ 509,306</u>	<u>\$ (300,379)</u>

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

The City's contributions subsequent to the measurement date, \$79,810 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 81,325
2021	38,643
2022	9,598
2023	5,092
2024	(4,950)
Thereafter	(591)
	<u>\$ 129,117</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05-3.30%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation,
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 13 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 11 years.
Mortality:	
Pre-retirement	PUB-2010 General Mortality table for Non-Hazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020</p>

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	37.5%	4.55%
Specialty credit / high yield Real return (diversified inflation strategies)	15.0%	2.60%
Absolute return (diversified hedge funds)	15.0%	4.10%
Private equity	3.0%	2.97%
Real estate	10.0%	6.65%
Global bonds	5.0%	4.85%
Cash	13.5%	1.35%
	1.0%	0.20%

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan and 5.69% 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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.68% for the non-hazardous plan, as well as what the proportionate share of the net OPEB 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	4.68%	5.68%	6.68%
Net OPEB liability, Non-Haz	\$ 183,616	\$ 341,529	\$ 189,608
Discount Rate, Hazardous	4.69%	5.69%	6.69%
Net OPEB liability, Haz	\$ 544,974	\$ 1,119,458	\$ 558,296
Total	\$ 728,590	\$ 1,460,987	\$ 747,904

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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 334,186	\$ 341,529	\$ 27,963
Net OPEB liability, hazardous	1,100,111	1,119,458	124,413
Total	\$ 1,434,297	\$ 1,460,987	\$ 152,376

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.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE K – CONTIGENT 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, 2020 is (\$2,162,287).

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.

NOTE M – TAX ABATEMENTS

In accordance with GASB 77, the City 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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 – FY 2020*

Statement No. 88 – *Certain Disclosures Related to Debt – FY 2020*

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance – FY 2020*

NOTE O – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities – FY 2021*

Statement No. 87 – *Leases – FY 2022*

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

Statement No. 90 – *Majority Equity Interests – FY 2021*

Statement No. 91 – *Conduit Debt Obligations – FY 2023*

Statement No. 92 – *Omnibus 2020 – FY 2022*

Statement No. 93 – *Replacement of Interbank Offered Rates – FY 2022*

Statement No. 94 – *Public-Private and Public-Public Partnerships – FY 2022*

Statement No. 96 – *Subscription-Based Information Technology Arrangements – FY 2022*

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans – FY 2022*

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE P - COVID-19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. The City's Management and Council are actively monitoring the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2020-21 fiscal-year budget has been passed to incorporate potential effects of the pandemic on the revenues and expenses.

NOTE Q - CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$319,861 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these funds as other financial resources and as an accounts receivable at June 30, 2020.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events through February 26, 2021, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2020 through February 26, 2021 to disclose.

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 290,528	\$ 190,000	\$ 2,361,877	\$ 2,171,877
Revenues				
Taxes	1,597,200	1,597,200	1,427,146	(170,054)
Licenses and permits	1,397,400	1,397,400	1,319,447	(77,953)
Intergovernmental	72,700	72,700	156,896	84,196
Fines and penalties	85,000	85,000	84,077	(923)
Charges for services	411,250	411,250	404,884	(6,366)
Other	1,561,660	1,561,660	378,171	(1,183,489)
Interest	30,000	30,000	20,361	(9,639)
Resources available for appropriation	5,445,738	5,345,210	6,152,859	807,649
Appropriations				
General government	516,559	523,843	585,090	(61,247)
Police department	1,394,674	1,436,161	1,305,941	130,220
Fire department	964,382	964,382	964,382	-
Public works	361,096	362,506	319,612	42,894
Building services	80,286	87,474	83,500	3,974
Waste collection	225,000	225,000	225,102	(102)
Professional services	1,823,275	1,664,321	721,058	943,263
Main Street	80,466	81,523	71,397	10,126
Total appropriations	5,445,738	5,345,210	4,276,082	1,069,128
Excess of resources over appropriations	-	-	1,876,777	1,876,777
Other financing sources (uses)				
Transfers in	-	-	30,000	30,000
Transfers out	-	-	(115,069)	(115,069)
CARES Act	-	-	319,861	319,861
Total other financing sources (uses)	-	-	234,792	234,792
Budgetary fund balance, June 30	\$ -	\$ -	\$ 2,111,569	\$ 2,111,569

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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 114,963	\$ 114,963	\$ 128,096	\$ 13,133
Revenues				
Intergovernmental	110,000	110,000	106,254	(3,746)
Interest	700	700	1,722	1,022
Resources available for appropriation	225,663	225,663	236,072	10,409
Appropriations				
Public works	30,000	30,000	80,130	(50,130)
Professional Services	195,663	195,663	-	195,663
Total appropriations	225,663	225,663	80,130	145,533
Excess of resources over appropriations	-	-	155,942	155,942
Other financing sources (uses)				
Transfers in (out)	-	-	(30,000)	(30,000)
Budgetary fund balance, June 30	\$ -	\$ -	\$ 125,942	\$ 125,942

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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 798,198	\$ 798,198	\$ 807,469	\$ 9,271
Revenues				
Other	1,000	1,000	8,984	7,984
Miscellaneous	-	-	-	-
Resources available for appropriation	799,198	799,198	816,453	17,255
Appropriations				
Urban redevelopment	63,616	63,616	52,122	11,494
Capital outlay	250,000	250,000	-	250,000
Other	20,000	20,000	14,775	5,225
Total appropriations	333,616	333,616	66,897	266,719
Excess of resources over appropriations	465,582	465,582	749,556	283,974
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 465,582</u>	<u>\$ 465,582</u>	<u>\$ 749,556</u>	<u>\$ 283,974</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)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.015160%	0.014710%	0.015880%	0.014760%	0.016433%	0.016077%				
Proportionate share of the net pension liability (asset)	\$ 1,066,350	\$ 895,945	\$ 929,564	\$ 726,969	\$ 706,528	\$ 521,584				
Covered payroll in year of measurement	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	\$ 364,825				
Share of the net pension liability (asset) as a percentage of its covered payroll	305.62%	251.86%	240.41%	198.94%	182.27%	142.97%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 94,774	\$ 62,034	\$ 51,509	\$ 53,938	\$ 45,386	\$ 49,422	\$ 50,127			
Actual contribution	94,774	62,034	51,509	53,938	45,386	49,422	50,127			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	\$ 364,825			
Contributions as a percentage of covered payroll	22.94%	17.78%	14.48%	13.95%	12.42%	12.75%	13.74%			

**Notes to Required Supplementary Information
for the Year Ended June 30, 2020**

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.108469%	0.095525%	0.08147%	0.07727%	0.08476%	0.09793%				
Proportionate share of the net pension liability (asset)	\$ 2,996,234	\$ 2,310,231	\$ 1,822,644	\$ 1,325,918	\$ 1,301,170	\$ 1,091,168				
Covered payroll in year of measurement	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724				
Share of the net pension liability (asset) as a percentage of its covered payroll	484.89%	422.35%	325.16%	259.62%	298.55%	222.81%				
Plan fiduciary net position as a percentage of total pension liability	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 178,200	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023	\$ 106,613			
Actual contribution	178,200	153,616	121,432	121,321	103,472	100,023	106,613			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724			
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%			

Notes to Required Supplementary Information
for the Year Ended June 30, 2020

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.015160%	0.014710%	0.015880%							
Proportionate share of the net OPEB liability (asset)	\$ 254,951	\$ 261,173	\$ 319,262							
Covered payroll in year of measurement	\$ 348,909	\$ 355,727	\$ 386,652							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	73.07%	73.42%	82.57%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 23,374	\$ 20,117	\$ 16,719	\$ 18,173						
Actual contribution	23,374	20,117	16,719	18,173						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652						
Contributions as a percentage of covered payroll	5.66%	5.77%	4.70%	4.70%						

**Notes to Required Supplementary Information
for the Year Ended June 30, 2020**

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.108448%	0.095525%	0.08147%							
Proportionate share of the net OPEB liability (asset)	\$ 802,363	\$ 681,090	\$ 673,465							
Covered payroll in year of measurement	\$ 617,923	\$ 546,993	\$ 560,545							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	129.85%	124.52%	120.14%							
Plan fiduciary net position as a percentage of total OPEB liability	64.44%	64.24%	59.00%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 56,436	\$ 64,697	\$ 51,144	\$ 52,411						
Actual contribution	56,436	64,697	51,144	52,411						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545						
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%						

Notes to Required Supplementary Information
for the Year Ended June 30, 2020

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, 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 COMBINING BALANCE SHEET - MINOR GOVERNMENTAL FUNDS June 30, 2020
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	Park Board	Tax Incentive Financing	Capital Projects	Total Minor Governmental Funds
Assets				
Cash and cash equivalents	\$ 62,353	\$ 32,537	\$ -	\$ 94,890
Accounts receivable	7,942	33,308	-	41,250
Due from other funds	1,788	60,877	-	62,665
Total assets	<u>\$ 72,083</u>	<u>\$ 126,722</u>	<u>\$ -</u>	<u>\$ 198,805</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 1,036	\$ 123,469	\$ -	\$ 124,505
Due to other funds	-	3,288	-	3,288
Deferred revenue	7,942	-	-	7,942
Total liabilities	<u>8,978</u>	<u>126,757</u>	<u>-</u>	<u>135,735</u>
Fund balances				
Committed	63,105	(35)	-	63,070
Total fund balances	<u>63,105</u>	<u>(35)</u>	<u>-</u>	<u>63,070</u>
Total liabilities and fund balances	<u>\$ 72,083</u>	<u>\$ 126,722</u>	<u>\$ -</u>	<u>\$ 198,805</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, 2020

	Park Board	Tax Incentive Financing	Capital Projects	Total Minor Governmental Funds
Revenues				
Taxes	\$ 107,786	\$ 119,108	\$ -	\$ 226,894
Other	-	-	-	-
Interest	584	-	-	584
Total revenues	<u>108,370</u>	<u>119,108</u>	<u>-</u>	<u>227,478</u>
Expenditures				
Park expenses	93,071	-	-	93,071
TIF payments	-	119,108	-	119,108
Miscellaneous	1,138	1	-	1,139
Capital outlay	-	-	115,069	115,069
Total expenditures	<u>94,209</u>	<u>119,109</u>	<u>115,069</u>	<u>328,387</u>
Excess (deficit) of revenues over (under) expenditures	<u>14,161</u>	<u>(1)</u>	<u>(115,069)</u>	<u>(100,909)</u>
Other financing sources (uses)				
Transfers in	-	-	115,069	115,069
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>115,069</u>	<u>115,069</u>
Change in fund balances	14,161	(1)	-	14,160
Fund balance - beginning of year	<u>48,944</u>	<u>(34)</u>	<u>-</u>	<u>48,910</u>
Fund balance - end of year	<u>\$ 63,105</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 63,070</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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 47,074	\$ 47,074	\$ 48,944	\$ 1,870
Revenues				
Taxes	100,000	100,000	107,786	7,786
Interest	200	200	584	384
Other	2,000	2,000	-	(2,000)
Resources available for appropriation	<u>149,274</u>	<u>149,274</u>	<u>157,314</u>	<u>8,040</u>
Appropriations				
Park expense	108,600	108,600	93,071	15,529
Miscellaneous expenses	1,000	1,000	1,138	(138)
Total appropriations	<u>109,600</u>	<u>109,600</u>	<u>94,209</u>	<u>15,391</u>
Excess of resources over appropriations	39,674	39,674	63,105	23,431
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 39,674</u>	<u>\$ 39,674</u>	<u>\$ 63,105</u>	<u>\$ 23,431</u>

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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Revenues				
Interest	-	-	-	-
Resources available for appropriation	-	-	-	-
Appropriations				
Capital improvements	135,000	135,000	115,069	19,931
Grant match	96,232	96,232	-	96,232
Equipment	234,000	234,000	-	234,000
Total appropriations	465,232	465,232	115,069	350,163
Excess of resources over appropriations	(465,232)	(465,232)	(115,069)	350,163
Other financing sources (uses)				
Transfers in (out)	465,232	465,232	115,069	(350,163)
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ -

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, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,500	\$ 1,500	\$ (34)	\$ (1,534)
Revenues				
Taxes	125,000	125,000	119,108	(5,892)
Resources available for appropriation	126,500	126,500	119,074	(7,426)
Appropriations				
TIF payment	125,000	125,000	119,108	5,892
Miscellaneous expenses	-	-	1	(1)
Total appropriations	125,000	125,000	119,109	5,891
Excess of resources over appropriations	1,500	1,500	(35)	(1,535)
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	\$ 1,500	\$ 1,500	\$ (35)	\$ (1,535)

**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, 2020 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 February 26, 2021.

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) as a basis for designing 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 financial statements. 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*.

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

February 26, 2021