

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

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CITY OF DAYTON, KENTUCKY

CITY OFFICIALS

As of June 30, 2021

Mayor

Ben Baker

Council Members

Scott Beseler

Joe Neary

Christina Kelly

Beth Nyman

Jessica Lovins

Jeff Volter

City Administrator

Jay Fossett

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, 2021, 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, 2021, 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 18, 2022 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
February 18, 2022

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended 2021

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, 2021. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is (\$202,971).
- During the year, the City had expenses that were \$113,052 less than the \$4,483,674 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 \$4,542,073 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 \$1,401,782 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 2021

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 were less than liabilities and deferred inflows by (\$202,971) as of June 30, 2021. 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, 2021 and 2020:

Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 3,692,202	\$ 3,537,248
Capital assets	3,733,717	3,898,989
Total assets	7,425,919	7,436,237
Deferred outflows of resources	1,436,079	1,652,375
Total assets and deferred outflows of resources	8,861,998	9,088,612
Current liabilities	455,421	300,920
Long-term liabilities	8,423,836	7,499,807
Total liabilities	8,879,257	7,800,727
Deferred inflows of resources	185,712	388,332
Total liabilities and deferred inflows of resources	9,064,969	8,189,059
Net investment in capital assets	3,516,095	3,648,646
Restricted-Municipal Road Aid	185,190	125,942
Unrestricted	(3,904,256)	(2,875,035)
Total Net Position	\$ (202,971)	\$ 899,553

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
For the Year Ended 2021

The following is a comparison of the change in net position for 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 388,472	\$ 404,884
Operating grants	275,643	476,757
Capital grants	103,752	345,443
General revenues:		
Property taxes	1,900,257	1,620,234
Licenses & permits	1,506,601	1,319,447
Fines & forfeitures	96,571	84,077
Interest	2,911	31,651
Investment in Fire Department	(133,758)	(531,109)
Gain on sale of asset	2,575	-
Other	88,958	138,982
Total revenues	<u>4,231,982</u>	<u>3,890,366</u>
Expenses:		
General government	574,799	658,111
Police	2,024,915	1,971,594
Fire	1,006,811	939,445
Public works	538,038	495,569
Building service	92,020	83,500
Waste collection	224,444	225,102
Recreation	114,946	115,525
Professional services	582,524	536,556
Main Street	98,529	71,397
Urban redevelopment	70,096	66,897
Interest	7,384	8,323
Total expenses	<u>5,334,506</u>	<u>5,172,019</u>
Change in net position	(1,102,524)	(1,281,653)
Net position-Beginning	899,553	2,181,206
Net position-End of year	<u>\$ (202,971)</u>	<u>\$ 899,553</u>

The City's net position decreased by (\$1,102,524) 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 2021

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 \$2,125,406. This is available for spending for our citizens.

GENERAL FUND BUDGETING HIGHLIGHTS

City Council passed an original budget for 2020-2021 and made one set of amendments to the budget. Actual resources available for appropriation were \$1,947,995 more than budgeted amounts; taxes were (\$117,296) 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, 2021, amounts to \$6,419,181. The following table details the capital assets owned by the City in 2021 and 2020 and the corresponding change in capital assets in 2021:

Capital Assets

	Governmental Activities	
	2021	2020
Land	\$ 1,429,327	\$ 1,435,627
Buildings	1,049,624	1,049,624
Infrastructure	2,190,132	2,190,132
Improvements	606,207	606,207
Equipment	465,521	456,584
Vehicles	591,021	546,902
Furniture	87,349	80,449
Subtotals	6,419,181	6,365,525
Accumulated depreciation	(2,685,464)	(2,466,536)
Net Capital Assets	<u>\$ 3,733,717</u>	<u>\$ 3,898,989</u>

This year's major additions and deletions included:

Purchases of vehicles and equipment	\$ 53,056
Purchases of furniture and fixtures	6,900
Disposal of land	(6,300)
Net depreciation added	(218,928)
Net change in Net Capital Assets	<u>\$ (165,272)</u>

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
For the Year Ended 2021

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 2021 and 2020.

Long Term Debt

	Governmental Activities	
	2021	2020
Capital Lease - Fire Truck	\$ 217,622	\$ 250,343
Total Long Term Debt	<u>\$ 217,622</u>	<u>\$ 250,343</u>

The City's long term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of \$5,943,855 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of \$2,296,045.

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 2021-2022 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2021-2022 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, 2021

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 3,213,541
Accounts receivable	478,661
Total current assets	<u>3,692,202</u>
Noncurrent assets	
Capital assets	
Land	1,429,327
Depreciable assets	4,989,854
Less: accumulated depreciation	<u>(2,685,464)</u>
Net capital assets	<u>3,733,717</u>
Total assets	<u>7,425,919</u>
Deferred outflows of resources	
Deferred outflows related to net pension and OPEB liabilities - CERS	1,436,079
Total assets and deferred outflows of resources	<u>8,861,998</u>
Liabilities	
Current liabilities	
Accounts payable	383,552
Accrued liabilities	34,668
Deposits	3,515
Current portion of capital lease obligations	33,686
Total current liabilities	<u>455,421</u>
Noncurrent liabilities	
Noncurrent portion of capital lease obligations	183,936
Investment in joint venture	2,296,045
Net pension and OPEB liability	<u>5,943,855</u>
Total noncurrent liabilities	<u>8,423,836</u>
Total liabilities	<u>8,879,257</u>
Deferred inflows of resources	
Deferred inflows related to net pension and OPEB liabilities - CERS	185,712
Total liabilities and deferred inflows of resources	<u>9,064,969</u>
Net position	
Net invested in capital assets	3,516,095
Restricted	185,190
Unrestricted	<u>(3,904,256)</u>
Total net position	<u>\$ (202,971)</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, 2021

Functions/Programs:					Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
Primary Government:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
General government	\$ 574,799	\$ 20,148	\$ 12,460	\$ -	\$ (542,191)	\$ (542,191)
Police department	2,024,915	5,135	250,653	-	(1,769,127)	(1,769,127)
Fire department	1,006,811	-	7,207	-	(999,604)	(999,604)
Public works	538,038	-	5,323	103,752	(428,963)	(428,963)
Building service	92,020	-	-	-	(92,020)	(92,020)
Waste collection	224,444	285,689	-	-	61,245	61,245
Recreation	114,946	77,500	-	-	(37,446)	(37,446)
Professional services	582,524	-	-	-	(582,524)	(582,524)
Main Street	98,529	-	-	-	(98,529)	(98,529)
Urban redevelopment	70,096	-	-	-	(70,096)	(70,096)
Interest expense	7,384	-	-	-	(7,384)	(7,384)
Total governmental activities	5,334,506	388,472	275,643	103,752	(4,566,639)	(4,566,639)
Total primary government	\$ 5,334,506	\$ 388,472	\$ 275,643	\$ 103,752	(4,566,639)	(4,566,639)
General revenues:						
Taxes					1,900,257	1,900,257
Licenses and permits					1,506,601	1,506,601
Fines and forfeitures					96,571	96,571
Interest					2,911	2,911
Loss in Fire Department Bellevue Dayton					(133,758)	(133,758)
Gain on sale of asset					2,575	2,575
Miscellaneous					88,958	88,958
Total general revenues					3,464,115	3,464,115
Change in net position					(1,102,524)	(1,102,524)
Net position, beginning of year					899,553	899,553
Net position, end of year					\$ (202,971)	\$ (202,971)

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

CITY OF DAYTON, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2021
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	General Fund	Municipal Aid	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,991,655	\$ 185,190	\$ 746,196	\$ 290,500	\$ 3,213,541
Accounts receivable	388,856	-	57,760	32,045	478,661
Due from other funds	-	-	1,500	41,625	43,125
Total assets	<u>\$ 2,380,511</u>	<u>\$ 185,190</u>	<u>\$ 805,456</u>	<u>\$ 364,170</u>	<u>\$ 3,735,327</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 131,145	\$ -	\$ 1,577	\$ 250,830	\$ 383,552
Accrued liabilities	34,668	-	-	-	34,668
Deposits	3,515	-	-	-	3,515
Due to other funds	39,837	-	-	3,288	43,125
Deferred revenue	45,940	-	57,760	3,578	107,278
Total liabilities	<u>255,105</u>	<u>-</u>	<u>59,337</u>	<u>257,696</u>	<u>572,138</u>
Fund balances					
Restricted	-	185,190	-	-	185,190
Committed	-	-	746,119	106,474	852,593
Unassigned	2,125,406	-	-	-	2,125,406
Total fund balances	<u>2,125,406</u>	<u>185,190</u>	<u>746,119</u>	<u>106,474</u>	<u>3,163,189</u>
Total liabilities and fund balances	<u>\$ 2,380,511</u>	<u>\$ 185,190</u>	<u>\$ 805,456</u>	<u>\$ 364,170</u>	<u>\$ 3,735,327</u>

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

CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2021
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Total governmental fund balances	\$ 3,163,189
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$6,419,181, net of accumulated depreciation of (\$2,685,464), used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	3,733,717
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Long-term revenue deferrals are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	107,278
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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	880,623
Deferred outflows related to OPEB	555,456
Deferred inflows related to pensions	(7,515)
Deferred inflows related to OPEB	(178,197)

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

Capital lease obligations	(217,622)
Investment in joint venture	(2,296,045)
Net pension liability	(4,542,073)
Net OPEB liability	<u>(1,401,782)</u>

Net position of governmental activities	<u><u>\$ (202,971)</u></u>
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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, 2021**

	General Fund	Municipal Aid	Urban Renewal	Minor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,622,904	\$ -	\$ -	\$ 388,987	\$ 2,011,891
Licenses and permits	1,506,601	-	-	-	1,506,601
Intergovernmental	73,232	103,752	-	-	176,984
Charges for services	388,472	-	-	-	388,472
Fines and forfeitures	96,571	-	-	-	96,571
Interest	1,929	183	724	75	2,911
Miscellaneous	86,688	-	2,060	210	88,958
Total revenues	3,776,397	103,935	2,784	389,272	4,272,388
Expenditures					
General government	480,881	-	-	-	480,881
Police department	1,270,249	-	-	-	1,270,249
Fire department	1,006,811	-	-	-	1,006,811
Public works	365,343	14,687	-	-	380,030
Building services	73,906	-	-	-	73,906
Waste collection	224,444	-	-	-	224,444
Recreation	-	-	-	100,985	100,985
Professional services	337,641	-	-	244,883	582,524
Main Street	80,634	-	-	-	80,634
Urban redevelopment	-	-	70,096	-	70,096
Debt service	40,106	-	-	-	40,106
Capital outlay	59,956	-	-	-	59,956
Total expenditures	3,939,971	14,687	70,096	345,868	4,370,622
Excess (deficit) of revenues over expenditures	(163,574)	89,248	(67,312)	43,404	(98,234)
Other financing sources (uses)					
Transfers in	30,000	-	55,000	-	85,000
Transfers out	(55,000)	(30,000)	-	-	(85,000)
Proceeds from sale of asset	-	-	8,875	-	8,875
COVID Relief	202,411	-	-	-	202,411
Total other financing sources (uses)	177,411	(30,000)	63,875	-	211,286
Net change in fund balances	13,837	59,248	(3,437)	43,404	113,052
Fund balances - beginning of year	2,111,569	125,942	749,556	63,070	3,050,137
Fund balances - end of year	\$ 2,125,406	\$ 185,190	\$ 746,119	\$ 106,474	\$ 3,163,189

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

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, 2021
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Net change in fund balances-total governmental funds	\$ 113,052
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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 \$59,956 were less than depreciation expense (\$218,928) in the current period.

Capital outlays	59,956
Depreciation	(218,928)
Gain on disposition of assets	(6,300)

The (loss) or gain 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.	(133,758)
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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.	(111,634)
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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	(661,283)
Cost of benefits earned - OPEB - CERS	(176,351)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>32,722</u>
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Change in net position of governmental activities	<u><u>\$ (1,102,524)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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, 2021
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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, 2021
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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, 2021.

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, 2021, were \$0.434 per \$100 valuation for real property, \$0.050 for park tax, \$0.5009 for motor vehicles and motorboats, and \$.750 for other personal (tangible) property. The assessed value of property on which the levy for 2020 was based was \$243,793,716 for real property and \$4,491,418 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”.

CITY OF DAYTON, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

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, 2021
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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, 2021. No other fund balance policies exist.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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, 2021.

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by June 1, 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, 2021, 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, 2021 was \$3,213,541. 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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Interest rate risk – In accordance with the City’s investment policy, interest rate risk is minimized by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

NOTE D – INVESTMENT IN JOINT VENTURE

The City, along with the City of Bellevue, Kentucky, own equal shares in a joint venture limited liability corporation, the Fire Department of Bellevue and Dayton (FDBD). Each City annually records, as an investment in joint venture, 50% of the net position of FDBD on its Statement of Net Position, and an adjustment for the amount of change is recognized in the Statement of Activities. The total investment in the joint venture at June 30, 2021 was a liability of (\$2,296,045) an increase of \$133,758 from the prior year balance of (\$2,162,287).

The City had no other investments at June 30, 2021.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2021 is as follows:

	June 30, 2020	Additions	Retirements	June 30, 2021
Governmental activities:				
Assets not being depreciated				
Land	\$ 1,435,627	\$ -	\$ (6,300)	\$ 1,429,327
	<u>1,435,627</u>	<u>-</u>	<u>(6,300)</u>	<u>1,429,327</u>
Other capital assets				
Buildings	1,049,624	-	-	1,049,624
Infrastructure	2,190,132	-	-	2,190,132
Improvements	606,207	-	-	606,207
Vehicles	546,902	44,119	-	591,021
Equipment	456,584	8,937	-	465,521
Furniture	80,449	6,900	-	87,349
Subtotal	<u>4,929,898</u>	<u>59,956</u>	<u>-</u>	<u>4,989,854</u>
Accumulated depreciation				
Buildings	(866,591)	(90,305)	-	(956,896)
Infrastructure	(744,333)	(8,116)	-	(752,449)
Improvements	(72,781)	(35,404)	-	(108,185)
Vehicles	(415,014)	(48,001)	-	(463,015)
Equipment	(288,150)	(36,629)	-	(324,779)
Furniture and fixtures	(79,667)	(473)	-	(80,140)
Subtotal	<u>(2,466,536)</u>	<u>(218,928)</u>	<u>-</u>	<u>(2,685,464)</u>
Other capital assets, less depreciation	<u>2,463,362</u>	<u>(158,972)</u>	<u>-</u>	<u>2,304,390</u>
Capital assets, net	<u>\$ 3,898,989</u>	<u>\$ (158,972)</u>	<u>\$ (6,300)</u>	<u>\$ 3,733,717</u>

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Depreciation was charged to the following governmental activities:

Activity	Depreciation
General government	\$ 36,384
Police	62,059
Public works	106,524
Recreation	13,961
Current year governmental activity depreciation expense	<u>\$ 218,928</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, 2021:

Year Ending June 30	Capital Lease Payable
2022	\$ 40,106
2023	40,106
2024	40,106
2025	40,106
2026	40,106
2027	<u>40,106</u>
Total minimum lease payments	\$ 240,636
Less: amount representing interest	<u>(23,013)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 217,623</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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE H – INTERFUND TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2021:

	Transfers In	Transfers Out
General Fund	\$ 30,000	\$ 55,000
Urban Renewal	55,000	-
Municipal Road Aid Fund	-	30,000
	<u>\$ 85,000</u>	<u>\$ 85,000</u>

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, 2021, consist of the following:

	General Fund	Municipal Road Aid Fund	Urban Renewal Fund	Minor Funds	Total
Restricted	\$ -	\$ 185,190	\$ -	\$ -	\$ 185,190
Committed	-	-	746,119	106,474	852,593
Unassigned	2,125,406	-	-	-	2,125,406
Total Fund Balance	<u>\$ 2,125,406</u>	<u>\$ 185,190</u>	<u>\$ 746,119</u>	<u>\$ 106,474</u>	<u>\$ 3,163,189</u>

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 Public Pensions Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority 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/>.

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**

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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duty covered-employee classifications. The City has both Non-Hazardous and Hazardous employees.

Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,506	81,147	9,474	9,470
Inactive Plan Members	91,543	29,362	3,422	856
Retired Members	64,539	36,371	10,023	6,853
	<u>237,588</u>	<u>146,880</u>	<u>22,919</u>	<u>17,179</u>
Number of participating employers		<u>1,139</u>		<u>266</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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Contributions – Required pension plan contributions by the employee are based on the tier:

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

Hazardous Pension Plan Description

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit 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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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, 2021.

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, 2021.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$103,013, of which \$82,633 was for the pension fund and \$20,380 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 \$216,761, of which \$164,625 was for the pension fund and \$52,137 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, 2021, the City reported a liability of \$4,542,073 as its proportionate share of the net pension liability (\$1,209,622 for the non-hazardous plan and \$3,332,451 for the hazardous duty plan) The net pension liability was measured as of June 30, 2020, 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, 2020, the City's non-hazardous employer allocation proportion was 0.01577% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.110528% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized pension expense of \$661,283 in addition to its \$247,243 pension contribution.

At June 30, 2021, 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, 2021
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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	\$ 30,164	\$ -	\$ 103,352	\$ -	\$ 133,516	\$ -
Net difference between projected actual earnings on plan investments	30,269	-	75,072	-	105,341	-
Changes of assumptions	47,234	-	126,385	-	173,619	-
Changes in proportion and differences between contributions and proportionate share of contributions	39,237	(7,515)	181,667	-	220,904	(7,515)
Contributions subsequent to the measurement date	82,633	-	164,610	-	247,243	-
	<u>\$ 229,537</u>	<u>\$ (7,515)</u>	<u>\$ 651,086</u>	<u>\$ -</u>	<u>\$ 880,623</u>	<u>\$ (7,515)</u>

The City's contributions subsequent to the measurement date of \$247,243 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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
2021	\$ 319,264
2022	172,186
2023	80,415
2024	54,000
2025	-
Thereafter	-
	<u>\$ 625,865</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)

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

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2019.

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.

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Asset Class	CERS Pensions (Haz & Non-Haz)	Long Term
	Target Allocation	Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	

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	\$ 1,491,728	\$ 1,209,623	\$ 976,029
Hazardous	4,118,434	3,332,451	2,690,880
Total	\$ 5,610,162	\$ 4,542,074	\$ 3,666,909

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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0%
		4-9 years service - 25%
		10-14 years service - 50%
		15-19 years service - 75%
		20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 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.

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

	Required Contribution
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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 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:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA 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 \$20,380 for non-hazardous duty employees and \$52,152 for hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$1,401,782 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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,

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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actuarially determined. At June 30, 2020, the City's proportion of the non-hazardous plan was 0.01577% and the hazardous plan was 0.110528%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$176,351. 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	\$ 63,607	\$ (63,657)	\$ 35,039	\$ (101,964)	\$ 98,646	\$ (165,621)
Net difference between projected actual earnings on plan investments	12,654	-	45,326	-	57,980	-
Changes of assumptions	66,219	(403)	166,777	(941)	232,996	(1,344)
Changes in proportion and differences between contributions and proportionate share of contributions	12,300	(11,211)	81,002	(21)	93,302	(11,232)
Contributions subsequent to the measurement date	20,380	-	52,152	-	72,532	-
	<u>\$ 175,160</u>	<u>\$ (75,271)</u>	<u>\$ 380,296</u>	<u>\$ (102,926)</u>	<u>\$ 555,456</u>	<u>\$ (178,197)</u>

The City's contributions subsequent to the measurement date, \$72,532 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
2021	\$ 99,237
2022	69,864
2023	65,452
2024	54,160
2025	15,812
Thereafter	202
	<u>\$ 304,727</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the non-hazardous plan and from 5.69% to 5.30% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan and 5.30% 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

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Plan Target Allocation

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)	Long Term
	Target Allocation	Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	

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 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 489,089	\$ 380,701	\$ 291,678
Discount Rate, Hazardous	4.30%	5.30%	6.30%
Net OPEB liability, Haz	\$ 1,386,091	\$ 1,021,081	\$ 726,957
Total	\$ 1,875,180	\$ 1,401,782	\$ 1,018,635

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:

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 294,758	\$ 380,701	\$ 484,995
Net OPEB liability, hazardous	729,695	1,021,081	1,379,316
Total	\$ 1,024,453	\$ 1,401,782	\$ 1,864,311

Plan Fiduciary Net Position

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

NOTE K – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal or state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

The City, due to its relationship with the Bellevue/Dayton Fire Department, has a probable liability in a future period that, at this time, cannot be estimated. This liability is a result of improper payment of incentive to the fire fighters. The fire department is directly affected by this action taken by the Department of Labor, while the City is affected indirectly based on its contractual relationship with the fire department. The City estimates its liability to range between \$85,000 and \$150,000 which is 50% of the fire department's estimated liability. The City includes in that range \$6,600 for the payment to fire fighters that worked directly for the City before the department was formed. The City has also recorded a liability for its share of the pension liability recorded by the Bellevue/Dayton Fire Department based on the requirements of GASB 68. This liability is recorded on the Statement of Net Position and represents 50% of the Net Position of the fire department. The amount for June 30, 2021 is (\$2,296,045).

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 2021-2022 will be approximately \$933,518.

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.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Grant Park

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

Manhattan Harbour

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

The incentive allows the developer to finance costs associated with:

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

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

NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – The implementation of this standard had no significant effect on the City.

Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – The implementation of this standard had no significant effect on the City.

Statement No. 90 – *Majority Equity Interests* – The implementation of this standard had no significant effect on the City.

NOTE O – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

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, 2021
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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 2021-22 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 \$202,411 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 at June 30, 2021.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events through February 18, 2022, the date on which the financial statements were available for issue. The City had one event subsequent to June 30, 2021 through February 18, 2022 to disclose.

The City received its first portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$726,251 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 247,141	\$ 256,383	\$ 2,111,569	\$ 1,855,186
Revenues				
Taxes	1,740,200	1,740,200	1,622,904	(117,296)
Licenses and permits	1,332,400	1,332,400	1,506,601	174,201
Intergovernmental	82,400	82,400	73,232	(9,168)
Fines and penalties	91,000	91,000	96,571	5,571
Charges for services	411,250	411,250	388,472	(22,778)
Other	1,200,330	1,200,330	86,688	(1,113,642)
Interest	30,000	30,000	1,929	(28,071)
Resources available for appropriation	5,134,721	5,143,963	5,887,966	744,003
Appropriations				
General government	514,728	514,728	487,781	26,947
Police department	1,427,742	1,427,742	1,323,305	104,437
Fire department	964,382	973,624	1,046,917	(73,293)
Public works	372,111	372,111	365,343	6,768
Building services	86,488	86,488	73,906	12,582
Waste collection	225,000	225,000	224,444	556
Professional services	1,459,945	1,459,945	337,641	1,122,304
Main Street	84,325	84,325	80,634	3,691
Total appropriations	5,134,721	5,143,963	3,939,971	1,203,992
Excess of resources				
over appropriations	-	-	1,947,995	1,947,995
Other financing sources (uses)				
Transfers in	-	-	30,000	30,000
Transfers out	-	-	(55,000)	(55,000)
CARES Act	-	-	202,411	202,411
Total other financing sources (uses)	-	-	177,411	177,411
Budgetary fund balance, June 30	\$ -	\$ -	\$ 2,125,406	\$ 2,125,406

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, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 140,000	\$ 140,000	\$ 125,942	\$ (14,058)
Revenues				
Intergovernmental	93,500	93,500	103,752	10,252
Interest	700	700	183	(517)
Resources available for appropriation	234,200	234,200	229,877	(4,323)
Appropriations				
Public works	30,000	30,000	14,687	15,313
Professional Services	204,200	204,200	-	204,200
Total appropriations	234,200	234,200	14,687	219,513
Excess of resources over appropriations	-	-	215,190	215,190
Other financing sources (uses)				
Transfers in (out)	-	-	(30,000)	(30,000)
Budgetary fund balance, June 30	\$ -	\$ -	\$ 185,190	\$ 185,190

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, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 750,431	\$ 750,431	\$ 749,556	\$ (875)
Revenues				
Other	1,000	1,000	724	(276)
Miscellaneous	-	52,868	2,060	(50,808)
Resources available for appropriation	751,431	804,299	752,340	(51,959)
Appropriations				
Urban redevelopment	55,000	55,000	37,773	17,227
Capital outlay	-	-	-	-
Other	-	39,000	32,323	6,677
Total appropriations	55,000	94,000	70,096	23,904
Excess of resources				
over appropriations	696,431	710,299	682,244	(28,055)
Other financing sources (uses)				
Proceeds from sale of asset	-	-	8,875	8,875
Transfers in (out)	-	-	55,000	55,000
Budgetary fund balance, June 30	<u>\$ 696,431</u>	<u>\$ 710,299</u>	<u>\$ 746,119</u>	<u>\$ 35,820</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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.015770%	0.015160%	0.014710%	0.015880%	0.014760%	0.016433%	0.016077%			
Proportionate share of the net pension liability (asset)	\$ 1,209,622	\$ 1,066,350	\$ 895,945	\$ 929,564	\$ 726,969	\$ 706,528	\$ 521,584			
Covered payroll in year of measurement	\$ 413,207	\$ 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	292.74%	305.62%	251.86%	240.41%	198.94%	182.27%	142.97%			
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 82,633	\$ 94,774	\$ 62,034	\$ 51,509	\$ 53,938	\$ 45,386	\$ 49,422	\$ 50,127		
Actual contribution	82,633	94,774	62,034	51,509	53,938	45,386	49,422	50,127		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	\$ 364,825		
Contributions as a percentage of covered payroll	19.30%	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, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.110528%	0.108469%	0.095525%	0.08147%	0.07727%	0.08476%	0.09793%			
Proportionate share of the net pension liability (asset)	\$ 3,332,451	\$ 2,996,234	\$ 2,310,231	\$ 1,822,644	\$ 1,325,918	\$ 1,301,170	\$ 1,091,168			
Covered payroll in year of measurement	\$ 592,815	\$ 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	562.14%	484.89%	422.35%	325.16%	259.62%	298.55%	222.81%			
Plan fiduciary net position as a percentage of total pension liability	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 164,625	\$ 178,200	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023	\$ 106,613		
Actual contribution	164,625	178,200	153,616	121,432	121,321	103,472	100,023	106,613		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724		
Contributions as a percentage of covered payroll	30.06%	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, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.015770%	0.015160%	0.014710%	0.015880%						
Proportionate share of the net OPEB liability (asset)	\$ 380,701	\$ 254,951	\$ 261,173	\$ 319,262						
Covered payroll in year of measurement	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	92.13%	73.07%	73.42%	82.57%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 20,380	\$ 23,374	\$ 20,117	\$ 16,719	\$ 18,173					
Actual contribution	20,380	23,374	20,117	16,719	18,173					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652					
Contributions as a percentage of covered payroll	4.76%	5.66%	5.77%	4.70%	4.70%					

**Notes to Required Supplementary Information
for the Year Ended June 30, 2021**

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.110494%	0.108448%	0.095525%	0.08147%						
Proportionate share of the net OPEB liability (asset)	\$ 1,021,081	\$ 802,363	\$ 681,090	\$ 673,465						
Covered payroll in year of measurement	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	172.24%	129.85%	124.52%	120.14%						
Plan fiduciary net position as a percentage of total OPEB liability	58.84%	64.44%	64.24%	59.00%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 52,137	\$ 56,436	\$ 64,697	\$ 51,144	\$ 52,411					
Actual contribution	52,137	56,436	64,697	51,144	52,411					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545					
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%					

Notes to Required Supplementary Information
for the Year Ended June 30, 2021

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021
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	Park Board	Tax Incentive Financing	Capital Projects	Total Minor Governmental Funds
Assets				
Cash and cash equivalents	\$ 105,087	\$ 185,413	\$ -	\$ 290,500
Accounts receivable	3,578	28,467	-	32,045
Due from other funds	1,788	39,837	-	41,625
Total assets	<u>\$ 110,453</u>	<u>\$ 253,717</u>	<u>\$ -</u>	<u>\$ 364,170</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 366	\$ 250,464	\$ -	\$ 250,830
Due to other funds	-	3,288	-	3,288
Deferred revenue	3,578	-	-	3,578
Total liabilities	<u>3,944</u>	<u>253,752</u>	<u>-</u>	<u>257,696</u>
Fund balances				
Committed	106,509	(35)	-	106,474
Total fund balances	<u>106,509</u>	<u>(35)</u>	<u>-</u>	<u>106,474</u>
Total liabilities and fund balances	<u>\$ 110,453</u>	<u>\$ 253,717</u>	<u>\$ -</u>	<u>\$ 364,170</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, 2021

	Park Board	Tax Incentive Financing	Capital Projects	Total Minor Governmental Funds
Revenues				
Taxes	\$ 144,104	\$ 244,883	\$ -	\$ 388,987
Other	210	-	-	210
Interest	75	-	-	75
Total revenues	144,389	244,883	-	389,272
Expenditures				
Park expenses	100,312	-	-	100,312
TIF payments	-	244,883	-	244,883
Miscellaneous	673	-	-	673
Capital outlay	-	-	-	-
Total expenditures	100,985	244,883	-	345,868
Excess (deficit) of revenues over (under) expenditures	43,404	-	-	43,404
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	43,404	-	-	43,404
Fund balance - beginning of year	63,105	(35)	-	63,070
Fund balance - end of year	\$ 106,509	\$ (35)	\$ -	\$ 106,474

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, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 47,074	\$ 47,074	\$ 63,105	\$ 16,031
Revenues				
Taxes	115,000	115,000	144,104	29,104
Interest	200	200	75	(125)
Other	2,000	2,000	210	(1,790)
Resources available for appropriation	<u>164,274</u>	<u>164,274</u>	<u>207,494</u>	<u>43,220</u>
Appropriations				
Park expense	116,200	116,200	100,312	15,888
Miscellaneous expenses	1,000	1,000	673	327
Total appropriations	<u>117,200</u>	<u>117,200</u>	<u>100,985</u>	<u>16,215</u>
Excess of resources				
over appropriations	47,074	47,074	106,509	59,435
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 47,074</u>	<u>\$ 47,074</u>	<u>\$ 106,509</u>	<u>\$ 59,435</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, 2021
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	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Revenues				
Interest	-	-	-	-
Resources available for appropriation	-	-	-	-
Appropriations				
Capital improvements	-	-	-	-
Grant match	249,236	249,236	-	249,236
Equipment	-	-	-	-
Total appropriations	249,236	249,236	-	249,236
Excess of resources				
over appropriations	(249,236)	(249,236)	-	249,236
Other financing sources (uses)				
Transfers in (out)	249,236	249,236	-	(249,236)
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, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 1,500	\$ 1,500	\$ (35)	\$ (1,535)
Revenues				
Taxes	125,000	281,661	244,883	(36,778)
Resources available for appropriation	126,500	283,161	244,848	(38,313)
Appropriations				
TIF payment	125,000	125,000	244,883	(119,883)
Miscellaneous expenses	-	-	-	-
Total appropriations	125,000	125,000	244,883	(119,883)
Excess of resources				
over appropriations	1,500	158,161	(35)	(158,196)
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 1,500</u>	<u>\$ 158,161</u>	<u>\$ (35)</u>	<u>\$ (158,196)</u>

**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, 2021 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 18, 2022.

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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
February 18, 2022