

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

CITY OF DAYTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>Pages</u>
Introductory Section	
City Officials.....	1
Financial Section	
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis.....	5-9
Basic Financial Statements	
Government - Wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet to the Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	15
Notes to Financial Statements.....	16-40
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget to Actual - General Fund.....	41
Budgetary Comparison Schedule - Budget to Actual - Tax Increment Financing Fund.....	42
Budgetary Comparison Schedule - Budget to Actual - Urban Renewal Fund.....	43
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure.....	44-45
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure.....	46-47
Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds.....	48
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balance - Non-Major Governmental Funds.....	49
Budgetary Comparison Schedule - Budget to Actual - Municipal Road Aid Fund.....	50
Budgetary Comparison Schedule - Budget to Actual - Park Board Fund.....	51
Independent Auditor's Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
<i>Performed in Accordance with Government Auditing Standards.....</i>	52-53

CITY OF DAYTON, KENTUCKY

CITY OFFICIALS

As of June 30, 2023

Mayor

Ben Baker

Council Members

Christina Kelly

Jessica Lovins

Joe Neary

Beth Nyman

Jeff Volter

Johnny Walker Wirick

City Administrator

Jay Fossett

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Dayton, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Kentucky as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dayton, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dayton, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Dayton, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dayton, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton, Kentucky's basic financial statements. The combining non-major governmental funds financial statements 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining minor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic 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 May 24, 2024, 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 City of Dayton, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
May 24, 2024

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2023

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, 2023. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is \$848,204.
- During the year, the City had expenses that were \$951,924 less than the \$7,049,782 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 \$4,038,841 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 \$1,120,116 as well as related deferred outflows and inflows of resources as a result of this standard.

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements: A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are categorized as governmental funds.

**CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2023**

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the years ended June 30, 2023 and 2022, net position for all governmental activities changed as follows:

	<u>2023</u>	<u>2022</u>
Current assets	\$ 5,325,532	\$ 4,788,291
Capital assets, net	4,169,328	3,649,914
Total assets	<u>9,494,860</u>	<u>8,438,205</u>
Deferred outflows of resources	1,025,670	1,017,903
Total assets and deferred outflows of resources	<u>10,520,530</u>	<u>9,456,108</u>
Current liabilities	756,402	967,910
Long-term liabilities	8,212,523	7,687,068
Total liabilities	<u>8,968,925</u>	<u>8,654,978</u>
Deferred inflows of resources	703,401	1,259,775
Total liabilities and deferred inflows of resources	<u>9,672,326</u>	<u>9,914,753</u>
Net investment in capital assets	3,962,573	3,465,978
Restricted-Municipal Road Aid	964,962	190,099
Unrestricted	(4,079,331)	(4,114,722)
Total net position	<u>\$ 848,204</u>	<u>\$ (458,645)</u>

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 more than liabilities and deferred inflows by \$848,204 as of June 30, 2023.

CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2023

A large portion of the City's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, infrastructure, vehicles, and furniture 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 reflects the change in net position for fiscal years 2023 and 2022:

Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 398,835	\$ 387,785
Operating grants	627,293	584,135
Capital grants	362,633	109,150
General revenues:		
Property taxes	2,912,420	2,199,266
Licenses & permits	2,365,787	1,785,999
Fines & forfeitures	110,769	85,278
Interest	33,578	3,482
Investment in Fire Department	(172,574)	(154,833)
Other	230,918	197,072
Total revenues	<u>6,869,659</u>	<u>5,197,334</u>
Expenses:		
General government	689,122	635,306
Police	1,524,316	1,694,839
Fire	1,133,766	1,122,583
Public works	764,273	646,183
Building service	110,611	92,729
Waste collection	231,496	231,944
Recreation	117,706	150,934
Professional services	618,400	723,534
Urban redevelopment	102,032	148,536
Unallocated depreciation	246,616	-
Unallocated pension/OPEB costs	19,046	-
Interest	5,426	6,420
Total expenses	<u>5,562,810</u>	<u>5,453,008</u>
Change in net position	1,306,849	(255,674)
Net position-beginning	(458,645)	(202,971)
Net position-end of year	<u>\$ 848,204</u>	<u>\$ (458,645)</u>

The City's net position increased by \$1,306,849 during the current fiscal year. This increase is primarily attributable to the decrease 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 liabilities.

**CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2023**

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 \$2,624,263. This is available for spending for our citizens.

GENERAL FUND BUDGETING HIGHLIGHTS

City Council passed an original budget for 2022-2023 and made two sets of amendments to the budget. Actual resources available for appropriation were \$838,647 more than budgeted amounts; taxes were (\$7,971) less than budgeted.

CAPITAL ASSETS

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	2023	2022
Land	\$ 1,495,307	\$ 1,470,327
Construction in progress	233,750	-
Buildings	1,149,624	1,049,624
Infrastructure	2,405,693	2,203,432
Improvements	675,926	606,207
Equipment	547,261	470,653
Vehicles	801,244	742,532
Furniture	87,349	87,349
Subtotals	<u>7,396,154</u>	<u>6,630,124</u>
Accumulated depreciation	<u>(3,226,826)</u>	<u>(2,980,210)</u>
Net Capital Assets	<u><u>\$ 4,169,328</u></u>	<u><u>\$ 3,649,914</u></u>

LONG-TERM 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.

On September 28, 2022, the City entered into a lease/purchase agreement with Wells Fargo to purchase a Bobcat mini excavator and cutter in the amount of \$57,498.

The following is a summary of the debt owed by the City in 2023 and 2022.

	2023	2022
Capital Lease - Fire Truck	\$ 149,257	\$ 183,936
Capital Lease - Equipment	57,498	-
Total Long Term Debt	<u><u>\$ 206,755</u></u>	<u><u>\$ 183,936</u></u>

**CITY OF DAYTON, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2023**

The City's long-term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of \$5,158,957 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of \$2,623,451.

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 2023-2024 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2022-2023 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 the City Administrator, City of Dayton, Kentucky, 514 Sixth Avenue, Dayton, KY 41074, 859-491-1600.

CITY OF DAYTON, KENTUCKY STATEMENT OF NET POSITION June 30, 2023

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 4,601,241
Accounts receivable	672,159
Prepaid expenses	52,132
Total current assets	<u>5,325,532</u>
Noncurrent assets	
Capital assets	
Land	1,495,307
Construction in progress	233,750
Depreciable assets	5,667,097
Less: accumulated depreciation	<u>(3,226,826)</u>
Net capital assets	<u>4,169,328</u>
Total assets	<u>9,494,860</u>
Deferred outflows of resources	
Deferred outflows related to net pension and OPEB liabilities - CERS	<u>1,025,670</u>
Total assets and deferred outflows of resources	<u>10,520,530</u>
Liabilities	
Current liabilities	
Accounts payable	316,833
Accrued liabilities	105,166
Deposits	3,515
Current portion of capital lease obligations	53,764
Deferred revenue - ARPA funds	<u>277,124</u>
Total current liabilities	<u>756,402</u>
Noncurrent liabilities	
Noncurrent portion of capital lease obligations	152,991
Investment in joint venture	2,623,451
Deferred revenue - ARPA funds	277,124
Net pension and OPEB liability	<u>5,158,957</u>
Total noncurrent liabilities	<u>8,212,523</u>
Total liabilities	<u>8,968,925</u>
Deferred inflows of resources	
Deferred inflows related to net pension and OPEB liabilities - CERS	<u>703,401</u>
Total liabilities and deferred inflows of resources	<u>9,672,326</u>
Net position	
Net invested in capital assets	3,962,573
Restricted	964,962
Unrestricted	<u>(4,079,331)</u>
Total net position	<u>\$ 848,204</u>

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

CITY OF DAYTON, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2023
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	General Fund	Tax Incentive Financing	Urban Renewal	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,929,704	\$ 990,367	\$ 522,360	\$ 158,810	\$ 4,601,241
Accounts receivable	610,319	-	59,322	2,518	672,159
Prepaid expenses	52,132	-	-	-	52,132
Due from other funds	132,011	-	1,500	84,372	217,883
Total assets	<u>\$ 3,724,166</u>	<u>\$ 990,367</u>	<u>\$ 583,182</u>	<u>\$ 245,700</u>	<u>\$ 5,543,415</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 84,667	\$ 226,619	\$ 949	\$ 4,598	\$ 316,833
Accrued liabilities	105,166	-	-	-	105,166
Deposits	3,515	-	-	-	3,515
Due to other funds	84,372	133,511	-	-	217,883
Deferred revenue - ARPA funds	554,248	-	-	-	554,248
Deferred revenue	39,281	-	57,760	2,518	99,559
Total liabilities	<u>871,249</u>	<u>360,130</u>	<u>58,709</u>	<u>7,116</u>	<u>1,297,204</u>
Fund balances					
Restricted	228,654	630,237	-	106,071	964,962
Committed	-	-	524,473	132,513	656,986
Unassigned	2,624,263	-	-	-	2,624,263
Total fund balances	<u>2,852,917</u>	<u>630,237</u>	<u>524,473</u>	<u>238,584</u>	<u>4,246,211</u>
Total liabilities and fund balances	<u>\$ 3,724,166</u>	<u>\$ 990,367</u>	<u>\$ 583,182</u>	<u>\$ 245,700</u>	<u>\$ 5,543,415</u>

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

<p>CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2023</p>

Total governmental fund balances \$ 4,246,211

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

Capital assets of \$7,396,154 net of accumulated depreciation of (\$3,226,826), used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 4,169,328

Long-term revenue deferrals are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 99,559

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	652,438
Deferred outflows related to OPEB	373,232
Deferred inflows related to pensions	(296,209)
Deferred inflows related to OPEB	(407,192)

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

Capital lease obligations - equipment	(57,498)
Capital lease obligations - fire department	(149,257)
Investment in joint venture	(2,623,451)
Net unfunded pension liability	(4,038,841)
Net unfunded OPEB liability	(1,120,116)
	(1,120,116)

Net position of governmental activities \$ 848,204

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, 2023

	General Fund	Tax Incentive Financing	Urban Renewal	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,818,029	\$ 965,783	\$ -	\$ 135,858	\$ 2,919,670
Licenses and permits	2,365,787	-	-	-	2,365,787
Intergovernmental	619,117	-	-	142,155	761,272
Charges for services	398,835	-	-	-	398,835
Fines and forfeitures	110,769	-	2,594	-	113,363
Interest	17,437	299	4,197	1,206	23,139
Grant restricted	228,654	-	-	-	228,654
Miscellaneous	217,598	-	21,464	-	239,062
Total revenues	<u>5,776,226</u>	<u>966,082</u>	<u>28,255</u>	<u>279,219</u>	<u>7,049,782</u>
Expenditures					
General government	689,122	-	-	-	689,122
Police department	1,524,316	-	-	-	1,524,316
Fire department	1,133,766	-	-	-	1,133,766
Public works	742,472	-	-	21,801	764,273
Building services	110,611	-	-	-	110,611
Waste collection	231,496	-	-	-	231,496
Recreation	-	-	-	117,706	117,706
Professional services	222,963	395,437	-	-	618,400
Urban redevelopment	-	-	102,032	-	102,032
Debt service	40,106	-	-	-	40,106
Capital outlay	518,751	-	-	247,279	766,030
Total expenditures	<u>5,213,603</u>	<u>395,437</u>	<u>102,032</u>	<u>386,786</u>	<u>6,097,858</u>
Excess (deficit) of revenues over expenditures	<u>562,623</u>	<u>570,645</u>	<u>(73,777)</u>	<u>(107,567)</u>	<u>951,924</u>
Other financing sources (uses)					
Loan proceeds	-	-	-	57,498	57,498
Transfers in	30,000	59,627	-	-	89,627
Transfers out	(59,627)	-	-	(30,000)	(89,627)
Total other financing sources (uses)	<u>(29,627)</u>	<u>59,627</u>	<u>-</u>	<u>27,498</u>	<u>57,498</u>
Net change in fund balances	532,996	630,272	(73,777)	(80,069)	1,009,422
Fund balances - beginning of year	<u>2,319,921</u>	<u>(35)</u>	<u>598,250</u>	<u>318,653</u>	<u>3,236,789</u>
Fund balances - end of year	<u>\$ 2,852,917</u>	<u>\$ 630,237</u>	<u>\$ 524,473</u>	<u>\$ 238,584</u>	<u>\$ 4,246,211</u>

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

<p>CITY OF DAYTON, KENTUCKY RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES June 30, 2023</p>

Net change in fund balances-total governmental funds \$ 1,009,422

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 \$766,030 were more than depreciation expense (\$246,616) in the current period.

Capital outlays	766,030
Depreciation	(246,616)

Loan proceeds	(57,498)
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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.	(172,574)
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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.	(7,549)
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Governmental funds report City pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of employer contributions is reported as pension and OPEB (expense) gain.

Cost of benefits earned - pensions - CERS	75,545
Cost of benefits earned - OPEB - CERS	(94,591)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	34,680
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Change in net position of governmental activities	\$ 1,306,849
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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, 2023

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 municipal corporation governed by an elected Mayor and six-member City 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.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. Fiduciary activities are not included in these statements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function, or program, of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023
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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.

Governmental Funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the current assets.

Fiduciary Funds

Fiduciary fund financial statements include a statement of net position and a statement of changes in net position. Fiduciary funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds are accounted for on a spending or economic resources measurement focus. The City has no fiduciary type funds.

The City reports on the following funds:

Governmental Fund Types

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

Special Revenue Funds – The 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, Grant Park, and Pottebaum Point.
- *Urban Renewal Fund* – to account for urban renewal projects which the City sponsors.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

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 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, 2023.

Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

- 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 Receivable

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 City Council, by ordinance. The billings are considered past due 60 days after the respective tax bill due date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

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.

Prepays

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

Short-Term Inter-fund Receivables/Payables

During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from/to other funds” on the balance sheet. Short-term inter-fund loans are classified as “inter-fund receivables/payables”.

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

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

Compensated 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. The general fund has typically been used to liquidate compensated absences as they become due and payable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported 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.

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)

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.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

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, the Tax Incentive Financing Fund and the General Fund have 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 and the Park Board Fund 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, 2023. No other fund balance policies exist.

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.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Pervasiveness of Estimates

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.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principals for all governmental funds.

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

- A. In accordance with City ordinance, prior to June 1, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain taxpayer comment.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

- 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 City 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 change the revenues and expenditures of any fund must be approved by the City Council.

Deficit fund balance— No 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, 2023, 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, 2023 was \$4,601,241. 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.

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, 2023 was a liability of (\$2,623,451) an increase of \$172,575 from the previous year.

The City had no other investments at June 30, 2023.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2023 is as follows:

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

	June 30, 2022	Additions	Retirements	June 30, 2023
Governmental activities:				
Assets not being depreciated				
Land	\$ 1,470,327	\$ 24,980	\$ -	\$ 1,495,307
Construction in progress	-	233,750	-	233,750
	<u>1,470,327</u>	<u>258,730</u>	<u>-</u>	<u>1,729,057</u>
Other capital assets				
Buildings	1,049,624	100,000	-	1,149,624
Infrastructure	2,203,432	202,261	-	2,405,693
Improvements	606,207	69,719	-	675,926
Vehicles	742,532	58,712	-	801,244
Equipment	470,653	76,608	-	547,261
Furniture	87,349	-	-	87,349
Subtotal	<u>5,159,797</u>	<u>507,300</u>	<u>-</u>	<u>5,667,097</u>
Accumulated depreciation				
Buildings	(965,012)	(98,158)	-	(1,063,170)
Infrastructure	(842,828)	(8,116)	-	(850,944)
Improvements	(216,397)	(33,055)	-	(249,452)
Vehicles	(527,011)	(65,646)	-	(592,657)
Equipment	(347,445)	(40,655)	-	(388,100)
Furniture and fixtures	(81,517)	(986)	-	(82,503)
Subtotal	<u>(2,980,210)</u>	<u>(246,616)</u>	<u>-</u>	<u>(3,226,826)</u>
Other capital assets, less depreciation	<u>2,179,587</u>	<u>260,684</u>	<u>-</u>	<u>2,440,271</u>
Capital assets, net	<u>\$ 3,649,914</u>	<u>\$ 519,414</u>	<u>\$ -</u>	<u>\$ 4,169,328</u>

NOTE F – CAPITAL LEASES 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, 2023:

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2024	\$ 40,106
2025	40,106
2026	40,106
2027	40,106
Total minimum lease payments	\$ 160,424
Less: amount representing interest	(11,167)
Present Value of Net Minimum Lease Payments	<u>\$ 149,257</u>

On September 28, 2022, the City entered into a lease/purchase agreement with Wells Fargo to purchase a Bobcat mini excavator and cutter in the amount of \$57,498. 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, 2023:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2024	\$ 21,510
2025	21,511
2026	21,510
Total minimum lease payments	\$ 64,531
Less: amount representing interest	(7,033)
Present Value of Net Minimum Lease Payments	<u>\$ 57,498</u>

NOTE G - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Building Revenue Bonds to provide financial assistance to private-sector entities for the acquisition, construction, equipping and installation of development projects. The bonds are secured by the properties financed and are payable solely from the private-sector entities. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2023, there were 9 Industrial Building Revenue Bonds that are providing \$109,932,980 of investment in the City. The amount outstanding at June 30, 2023 cannot be accurately determined at the date of these financial statements.

NOTE H – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonable estimated.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

NOTE I – INTERFUND TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2023:

	Transfers In	Transfers Out
General Fund	\$ 30,000	\$ (59,627)
Tax Incentive Financing Fund	59,627	-
Municipal Road Aid Fund	-	(30,000)
	\$ 89,627	\$ (89,627)

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 J – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances as of June 30, 2023, consist of the following:

	General Fund	Tax Incentive Financing Fund	Urban Renewal Fund	Non-Major Funds	Total
Restricted	\$ 228,654	\$ 630,237	\$ -	\$ 106,071	\$ 964,962
Committed	-	-	524,473	132,513	656,986
Unassigned	2,624,263	-	-	-	2,624,263
Total Fund Balance	\$ 2,852,917	\$ 630,237	\$ 524,473	\$ 238,584	\$ 4,246,211

NOTE K – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – City 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 Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension 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** duty covered-employee classifications. The City has both *Non-Hazardous* and *Hazardous Duty* employees.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

Membership in CERS consisted of the following at June 30, 2023:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</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 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 contributions by the employee are based on the tier:

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

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

Contributions – Required pension 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, 2023

Contributions

For non-hazardous duty employees, the City contributed 26.79% of covered-employee's compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

For hazardous duty employees, the City contributed 49.59% of covered-employee's compensation, of which 42.81% was for the pension fund and 6.78% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$130,245, of which \$113,764 was for the pension fund and \$16,481 was for the health insurance fund.

The City made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$304,246 of which \$262,650 was for the pension fund and \$41,597 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, 2023, the City reported a liability of \$4,038,841 (\$1,110,449 for the non-hazardous plan and \$2,928,392 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 the June 30, 2022, measurement year, the City's non-hazardous employer allocation proportion was 0.01536% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.09597% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized a net pension benefit of \$75,545 in addition to its \$376,414 pension contribution.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,187	\$ (9,889)	\$ 83,962	\$ -	\$ 85,149	\$ (9,889)
Net difference between projected actual earnings on plan investments	28,468	-	67,638	-	96,106	-
Changes of assump.	-	-	-	-	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	11,700	(33,498)	83,070	(252,823)	94,770	(286,320)
Contributions subsequent to the measurement date	113,764	-	262,650	-	376,414	-
	<u>\$ 155,119</u>	<u>\$ (43,387)</u>	<u>\$ 497,320</u>	<u>\$ (252,823)</u>	<u>\$ 652,439</u>	<u>\$ (296,209)</u>

The City’s contributions subsequent to the measurement date of \$376,414 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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
2023	\$ (34,440)
2024	(61,208)
2025	(32,810)
2026	108,274
2027	-
Thereafter	-
	<u>\$ (20,184)</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023
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House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous. 3.55% to 19.05% varies by service for Hazardous.
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year,

CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023
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as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued 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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Sensitivity of the 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 5.25%	Current Rate 6.25%	1% Increase 7.25%
	Non-hazardous	\$ 1,387,923	\$ 1,110,449
Hazardous	3,647,791	2,928,392	2,342,486
Total	\$ 5,035,714	\$ 4,038,841	\$ 3,223,440

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

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

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

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

Hazardous OPEB Plan Description

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

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees.

For non-hazardous employees, the City contributed 3.39% of covered employees' compensation for the health insurance fund. For hazardous duty employees, the City contributed 6.78% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount of \$16,481. The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$41,597.

These contributions are 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. For the year ended June 30, 2023, the City recognized OPEB expense of \$94,591 in addition to its \$58,078 OPEB contribution.

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

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

At June 30, 2023, the City reported a liability of \$1,120,116 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.01536% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.09592% of the total CERS hazardous duty employees.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 30,509	\$ (69,506)	\$ 18,053	\$ (48,389)	\$ 48,562	\$ (117,895)
Net difference between projected actual earnings on plan investments	12,302	-	29,821	-	42,123	-
Changes of assump.	47,936	(39,499)	136,385	(140,581)	184,321	(180,080)
Changes in proportion, differences between contributions and proportionate share of contributions	9,519	(17,320)	30,629	(91,897)	40,148	(109,217)
Contributions subsequent to the measurement date	16,481	-	41,597	-	58,078	-
	<u>\$ 116,747</u>	<u>\$ (126,325)</u>	<u>\$ 256,485</u>	<u>\$ (280,867)</u>	<u>\$ 373,232</u>	<u>\$ (407,192)</u>

The City's contributions subsequent to the measurement date of \$58,078 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

Measurement Year Ending June 30,	Net Deferral
2023	\$ (4,572)
2024	(15,428)
2025	(50,745)
2026	1,083
2027	(22,376)
Thereafter	-
	\$ (92,038)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Sensitivity of the 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 5.70% for the non-hazardous Plan and 5.61% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 405,186	\$ 303,092	\$ 218,695
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 1,135,231	\$ 817,024	\$ 558,581
Total	\$ 1,540,417	\$ 1,120,116	\$ 777,276

<p>CITY OF DAYTON, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2023</p>

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 225,342	\$ 303,092	\$ 396,455
Net OPEB liability, hazardous	570,518	817,024	1,117,503
Total	\$ 795,860	\$ 1,120,116	\$ 1,513,958

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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE L – 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, 2023 is (\$2,623,451).

NOTE M – COMMITMENTS

The City is committed under a contract with the Fire Department of Bellevue-Dayton, LLC for fire and EMS services. Each year the City is required to make a payment, determined on a yearly basis, to cover operating expenses. The required payment for the fiscal year 2022-2023 was approximately \$1,133,766.

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

NOTE N – TAX ABATEMENTS

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

Grant Park

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

Manhattan Harbour

The local participation TIF district for Manhattan Harbour was initiated in 2014 and requires the city to collect, hold, and payback to the developer 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.

Walton Creek Partners, LLC

The City has agreed to a PILOT arrangement which allows the developer to make payments in lieu of taxes on an industrial building in the City's industrial park. This PILOT program was created in 2017 with the first payment starting in December 2022. The incentive is in place for 15 years.

Pottebaum Point

The local participation TIF district for Pottebaum Point was created in January 2022 and requires the City to collect, hold, and payback to the developer 80% 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 properties being constructed within the City. The incentive is in place for 30 years.

NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

CITY OF DAYTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

Statement No. 98 – *Annual Comprehensive Financial Report* – FY 2023

NOTE P – FUTURE ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2022* – FY 2024

Statement No. 100 – *Accounting Changes and Error Corrections* – FY 2024

Statement No. 101 – *Compensated Absences* – FY 2025

NOTE Q – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified for and received two tranches of Federal ARPA funding, in the amounts of \$726,251 and \$751,663, passed through the Commonwealth of Kentucky's Department for Local Government. The City expended and recognized \$466,916 of the funding in the fiscal year ending June 30, 2023. The remaining \$554,248 remains as revenue deferred to future years, and will be recognized when expended, per grant requirements.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events through May 24, 2024, the date on which the financial statements were available for issue. The City had no events subsequent to June 30, 2023 through May 24, 2024 to disclose.

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 2,100,000	\$ 2,100,000	\$ 2,319,921	\$ 219,921
Revenues				
Taxes	1,790,000	1,826,000	1,818,029	(7,971)
Licenses and permits	1,749,150	2,213,000	2,365,787	152,787
Intergovernmental	131,304	153,000	619,117	466,117
Fines and penalties	63,150	120,000	110,769	(9,231)
Charges for services	409,800	430,000	398,835	(31,165)
Other	91,300	168,000	217,598	49,598
Grant restricted	3,335,929	230,000	228,654	(1,346)
Interest	1,500	17,500	17,437	(63)
Resources available for appropriation	9,672,133	7,257,500	8,096,147	838,647
Appropriations				
General government	655,051	685,051	689,122	(4,071)
Police department	1,476,390	1,520,000	1,524,316	(4,316)
Fire department	1,173,872	1,173,872	1,173,872	-
Public works	435,094	455,094	435,502	19,592
Building services	110,523	110,523	110,611	(88)
Waste collection	232,000	232,000	231,496	504
Professional services/grants/misc.	579,250	615,250	222,963	392,287
Capital outlay	3,333,777	700,000	825,721	(125,721)
Total appropriations	7,995,957	5,491,790	5,213,603	278,187
Excess of resources over appropriations	1,676,176	1,765,710	2,882,544	1,116,834
Other financing sources (uses)				
Transfers in	-	-	30,000	30,000
Transfers out	-	-	(59,627)	(59,627)
Total other financing sources (uses)	-	-	(29,627)	(29,627)
Budgetary fund balance, June 30	<u>\$ 1,676,176</u>	<u>\$ 1,765,710</u>	<u>\$ 2,852,917</u>	<u>\$ 1,087,207</u>

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

NOTE -1 BUDGETING POLICIES

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

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUNDS
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 580,000	\$ 580,000	\$ (35)	\$ (580,035)
Revenues				
Taxes	439,750	439,750	966,082	526,332
Resources available for appropriation	1,019,750	1,019,750	966,047	(53,703)
Appropriations				
TIF payments	342,000	342,000	373,483	(31,483)
Miscellaneous expenses	-	-	21,954	(21,954)
Total appropriations	342,000	342,000	395,437	(53,437)
Excess (deficiency) of resources over (under) appropriations	677,750	677,750	570,610	(107,140)
Other financing sources (uses)				
Transfers in (out)	-	-	59,627	59,627
Budgetary fund balance, June 30	<u>\$ 677,750</u>	<u>\$ 677,750</u>	<u>\$ 630,237</u>	<u>\$ (47,513)</u>

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
URBAN RENEWAL FUND
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 610,000	\$ 610,000	\$ 598,250	\$ (11,750)
Revenues				
Other	500	500	14,935	14,435
Miscellaneous	-	-	13,320	13,320
Resources available for appropriation	610,500	610,500	626,505	16,005
Appropriations				
Urban redevelopment	185,000	185,000	102,032	82,968
Capital outlay	-	-	-	-
Other	-	-	-	-
Total appropriations	185,000	185,000	102,032	82,968
Excess of resources over appropriations	425,500	425,500	524,473	98,973
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 425,500</u>	<u>\$ 425,500</u>	<u>\$ 524,473</u>	<u>\$ 98,973</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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.015360%	0.016130%	0.015770%	0.015160%	0.014710%	0.015880%	0.014760%	0.016433%	0.02%	
Proportionate share of the net pension liability (asset)	\$ 1,110,449	\$ 1,028,287	\$ 1,209,622	\$ 1,066,350	\$ 895,945	\$ 929,564	\$ 726,969	\$ 706,528	\$ 521,584	
Covered payroll in year of measurement	\$ 424,219	\$ 428,151	\$ 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	261.76%	240.17%	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	52.42%	57.33%	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 113,764	\$ 89,807	\$ 82,633	\$ 94,774	\$ 62,034	\$ 51,509	\$ 53,938	\$ 45,386	\$ 49,422	50127
Actual contribution	113,764	89,807	82,633	94,774	62,034	51,509	53,938	45,386	49,422	50127
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 486,170	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624	364825.33
Contributions as a percentage of covered payroll	23.40%	21.17%	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, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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 K 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.095967%	0.093318%	0.110528%	0.108469%	0.095525%	0.08147%	0.07727%	0.08476%	0.09793%	
Proportionate share of the net pension liability (asset)	\$ 2,928,392	\$ 2,484,274	\$ 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	\$ 624,985	\$ 547,653	\$ 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	468.55%	453.62%	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	47.11%	52.26%	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 262,650	\$ 211,620	\$ 164,625	\$ 178,200	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023	\$ 106,613
Actual contribution	262,650	211,620	164,625	178,200	153,616	121,432	121,321	103,472	100,023	106,613
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 613,524	\$ 624,985	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830	\$ 489,724
Contributions as a percentage of covered payroll	42.81%	33.86%	30.06%	30.06%	24.86%	22.20%	21.64%	20.26%	22.95%	21.77%

Notes to Required Supplementary Information
for the Year Ended June 30, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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 K 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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.015360%	0.016120%	0.015770%	0.015160%	0.014710%	0.015880%				
Proportionate share of the net OPEB liability (asset)	\$ 303,092	\$ 308,686	\$ 380,701	\$ 254,951	\$ 261,173	\$ 319,262				
Covered payroll in year of measurement	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	71.45%	72.10%	92.13%	73.07%	73.42%	82.57%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 16,481	\$ 24,520	\$ 20,380	\$ 23,374	\$ 20,117	\$ 16,719	\$ 18,173			
Actual contribution	16,481	24,520	20,380	23,374	20,117	16,719	18,173			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 486,170	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652			
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	5.66%	5.77%	4.70%	4.70%			

**Notes to Required Supplementary Information
for the Year Ended June 30, 2023**

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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 K 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.095919%	0.093317%	0.110494%	0.108448%	0.095525%	0.08147%				
Proportionate share of the net OPEB liability (asset)	\$ 817,024	\$ 754,523	\$ 1,021,081	\$ 802,363	\$ 681,090	\$ 673,465				
Covered payroll in year of measurement	\$ 624,985	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	130.73%	137.77%	172.24%	129.85%	124.52%	120.14%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 41,597	\$ 65,436	\$ 52,137	\$ 56,436	\$ 64,697	\$ 51,144	\$ 52,411			
Actual contribution	41,597	65,436	52,137	56,436	64,697	51,144	52,411			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 613,524	\$ 624,985	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545			
Contributions as a percentage of covered payroll	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%			

Notes to Required Supplementary Information
for the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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 K in the Notes to the Financial Statements.

CITY OF DAYTON, KENTUCKY COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS June 30, 2023
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	Park Board	Municipal Road Aid	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 52,739	\$ 106,071	\$ 158,810
Accounts receivable	2,518	-	2,518
Due from other funds	84,372	-	84,372
Total assets	<u>\$ 139,629</u>	<u>\$ 106,071</u>	<u>\$ 245,700</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 4,598	\$ -	\$ 4,598
Due to other funds	-	-	-
Deferred revenue	2,518	-	2,518
Total liabilities	<u>7,116</u>	<u>-</u>	<u>7,116</u>
Fund balances			
Restricted	-	106,071	106,071
Committed	132,513	-	132,513
Total fund balances	<u>132,513</u>	<u>106,071</u>	<u>238,584</u>
Total liabilities and fund balances	<u>\$ 139,629</u>	<u>\$ 106,071</u>	<u>\$ 245,700</u>

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

<p>CITY OF DAYTON, KENTUCKY COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2023</p>
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	<u>Park Board</u>	<u>Municipal Road Aid</u>	<u>Total Non-major Governmental Funds</u>
Revenues			
Taxes	\$ 135,858	\$ -	\$ 135,858
Intergovernmental	-	142,155	142,155
Other	-	-	-
Interest	567	639	1,206
Total revenues	<u>136,425</u>	<u>142,794</u>	<u>279,219</u>
Expenditures			
Park expenses	117,230	-	117,230
Capital improvements	72,223	175,056	247,279
Public works	-	21,801	21,801
Miscellaneous	476	-	476
Total expenditures	<u>189,929</u>	<u>196,857</u>	<u>386,786</u>
Excess (deficit) of revenues over (under) expenditures	<u>(53,504)</u>	<u>(54,063)</u>	<u>(107,567)</u>
Other financing sources (uses)			
Loan proceeds	57,498	-	57,498
Transfers in (out)	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>57,498</u>	<u>(30,000)</u>	<u>27,498</u>
Change in fund balances	3,994	(84,063)	(80,069)
Fund balance - beginning of year	<u>128,519</u>	<u>190,134</u>	<u>318,653</u>
Fund balance - end of year	<u>\$ 132,513</u>	<u>\$ 106,071</u>	<u>\$ 238,584</u>

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

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 180,000	\$ 180,000	\$ 190,134	\$ 10,134
Revenues				
Intergovernmental	118,000	118,000	142,155	24,155
Interest	150	150	639	489
Resources available for appropriation	298,150	298,150	332,928	34,778
Appropriations				
Public works	239,000	239,000	196,857	42,143
Total appropriations	239,000	239,000	196,857	42,143
Excess of resources over appropriations	59,150	59,150	136,071	76,921
Other financing sources (uses)				
Transfers in (out)	-	-	(30,000)	(30,000)
Budgetary fund balance, June 30	<u>\$ 59,150</u>	<u>\$ 59,150</u>	<u>\$ 106,071</u>	<u>\$ 46,921</u>

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

CITY OF DAYTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
PARK BOARD FUND
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 125,000	\$ 125,000	\$ 128,519	\$ 3,519
Revenues				
Taxes	130,000	130,000	135,858	5,858
Interest	275	275	567	292
Other	72,400	72,400	-	(72,400)
Resources available for appropriation	<u>327,675</u>	<u>327,675</u>	<u>264,944</u>	<u>(62,731)</u>
Appropriations				
Park expense	127,500	127,500	117,230	10,270
Capital improvements	98,000	98,000	72,223	25,777
Miscellaneous expenses	-	-	476	(476)
Total appropriations	<u>225,500</u>	<u>225,500</u>	<u>189,929</u>	<u>35,571</u>
Excess (deficiency) of resources over (under) appropriations	102,175	102,175	75,015	(27,160)
Other financing sources (uses)				
Loan proceeds	-	-	57,498	57,498
Transfers in (out)	-	-	-	-
Budgetary fund balance, June 30	<u>\$ 102,175</u>	<u>\$ 102,175</u>	<u>\$ 132,513</u>	<u>\$ 30,338</u>

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

**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, 2023 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 May 24, 2024.

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
May 24, 2024