

**CITY OF DAYTON, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2024**

**CITY OF DAYTON, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2024**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>Introductory Section</b>	
City Officials.....	1
<b>Financial Section</b>	
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.....	16-42
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - Budget to Actual - General Fund.....	43
Budgetary Comparison Schedule - Budget to Actual - Tax Increment Financing Fund.....	44
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure.....	45-46
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure.....	47-48
<b>Supplementary Information:</b>	
Combining Balance Sheet - Non-Major Governmental Funds.....	49
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balance - Non-Major Governmental Funds.....	50
Budgetary Comparison Schedule - Budget to Actual - Park Board Fund.....	51
Budgetary Comparison Schedule - Budget to Actual - Municipal Road Aid Fund.....	52
Budgetary Comparison Schedule - Budget to Actual - Urban Renewal Fund.....	53
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>	54-55

**CITY OF DAYTON, KENTUCKY**

**CITY OFFICIALS**

**As of June 30, 2024**

**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, 2024, 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, 2024, 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 20, 2025, 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 20, 2025

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**For the Year Ended June 30, 2024**

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, 2024. Please read this analysis in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's net position is \$2,501,703.
- During the year, the City's Funds had expenses that were \$1,030,832 less than the \$7,485,523 generated in tax and other revenues.
- GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees' Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$3,336,244 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 \$93,777 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, 2024**

*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, 2024 and 2023, net position for all governmental activities changed as follows:

	<b>Governmental Activities</b>	
	<b>2024</b>	<b>2023</b>
Current assets	\$ 5,650,371	\$ 5,325,532
Capital assets, net	4,060,008	4,169,328
Total assets	9,710,379	9,494,860
Deferred outflows of resources	911,204	1,025,670
Total assets and deferred outflows of resources	<u>10,621,583</u>	<u>10,520,530</u>
Current liabilities	329,670	756,402
Long-term liabilities	5,935,478	8,212,523
Total liabilities	6,265,148	8,968,925
Deferred inflows of resources	1,854,732	703,401
Total liabilities and deferred inflows of resources	<u>8,119,880</u>	<u>9,672,326</u>
Net investment in capital assets	3,907,016	3,962,573
Restricted-Municipal Road Aid	1,102,313	964,962
Unrestricted	<u>(2,507,626)</u>	<u>(4,079,331)</u>
Total net position	<u>\$ 2,501,703</u>	<u>\$ 848,204</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 \$2,501,703 as of June 30, 2024.

**CITY OF DAYTON, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2024**

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 2024 and 2023:

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2024</b>	<b>2023</b>
Revenues:		
Program revenues:		
Charges for services	\$ 401,386	\$ 398,835
Operating grants	616,408	627,293
Capital grants	430,186	362,633
General revenues:		
Property taxes	2,807,549	2,912,420
Licenses & permits	2,596,311	2,365,787
Fines & forfeitures	261,238	110,769
Interest	68,165	33,578
Investment in Fire Department	215,085	(172,574)
Other	304,280	230,918
Total revenues	<u>7,700,608</u>	<u>6,869,659</u>
Expenses:		
General government	781,375	689,122
Police	1,623,105	1,524,316
Fire	1,170,401	1,133,766
Public works	994,196	764,273
Building service	137,912	110,611
Waste collection	218,973	231,496
Recreation	91,598	117,706
Professional services	1,086,580	618,400
Urban redevelopment	137,095	102,032
Unallocated depreciation	261,160	246,616
Unallocated pension/OPEB costs	(463,138)	19,046
Interest	7,852	5,426
Total expenses	<u>6,047,109</u>	<u>5,562,810</u>
Change in net position	1,653,499	1,306,849
Net position-beginning	848,204	(458,645)
Net position-end of year	<u>\$ 2,501,703</u>	<u>\$ 848,204</u>

**CITY OF DAYTON, KENTUCKY  
MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)  
For the Year Ended June 30, 2024**

The City’s net position increased by \$1,653,499 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.

**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 \$3,534,711. This is available for spending for our citizens.

**GENERAL FUND BUDGETING HIGHLIGHTS**

City Council passed an original budget for 2023-2024 and made one set of amendments to the budget. Actual resources available for appropriation were \$1,153,500 more than budgeted amounts; taxes were \$11,266 more than budgeted.

**CAPITAL ASSETS**

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

	<b>Governmental Activities</b>	
	<b>2024</b>	<b>2023</b>
Land	\$ 1,495,307	\$ 1,495,307
Construction in progress	328,954	233,750
Buildings	1,206,260	1,149,624
Infrastructure	2,405,693	2,405,693
Improvements	675,926	675,926
Equipment	547,261	547,261
Vehicles	801,244	801,244
Furniture	87,349	87,349
Subtotals	7,547,994	7,396,154
Accumulated depreciation	(3,487,986)	(3,226,826)
Net Capital Assets	\$ 4,060,008	\$ 4,169,328

**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.

**CITY OF DAYTON, KENTUCKY  
MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)  
For the Year Ended June 30, 2024**

The following is a summary of the debt owed by the City in 2024 and 2023.

	<b>2024</b>	<b>2023</b>
Capital Lease - Fire Truck	\$ 113,554	\$ 149,257
Capital Lease - Equipment	39,438	57,498
Total Long Term Debt	\$ 152,992	\$ 206,755

The City’s long-term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of \$5,430,021 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of \$2,408,366.

**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 2024-2025 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2024-2025 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, 2024**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 4,671,288
Accounts receivable	671,653
Prepaid expenses	307,430
Total current assets	<u>5,650,371</u>
Noncurrent assets	
Capital assets	
Land	1,495,307
Construction in progress	328,954
Depreciable assets	5,723,733
Less: accumulated depreciation	<u>(3,487,986)</u>
Net capital assets	<u>4,060,008</u>
<b>Total assets</b>	<u>9,710,379</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to net pension and OPEB liabilities - CERS	<u>911,204</u>
<b>Total assets and deferred outflows of resources</b>	<u>10,621,583</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	48,281
Accrued liabilities	164,479
Deposits	3,515
Current portion of capital lease obligations	55,901
Deferred revenue - ARPA funds	57,494
Total current liabilities	<u>329,670</u>
Noncurrent liabilities	
Noncurrent portion of capital lease obligations	97,091
Investment in joint venture	2,408,366
Net pension and OPEB liability	3,430,021
Total noncurrent liabilities	<u>5,935,478</u>
<b>Total liabilities</b>	<u>6,265,148</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to net pension and OPEB liabilities - CERS	<u>1,854,732</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>8,119,880</u>
<b>Net position</b>	
Net invested in capital assets	3,907,016
Restricted	1,102,313
Unrestricted	<u>(2,507,626)</u>
<b>Total net position</b>	<u>\$ 2,501,703</u>

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



<b>CITY OF DAYTON, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2024</b>
------------------------------------------------------------------------------------------------------

	<u>General Fund</u>	<u>Tax Incentive Financing</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,122,002	\$ 854,690	\$ 694,596	\$ 4,671,288
Accounts receivable	611,375	-	60,278	671,653
Prepaid expenses	307,430	-	-	307,430
Due from other funds	65,497	-	1,500	66,997
<b>Total assets</b>	<u>\$ 4,106,304</u>	<u>\$ 854,690</u>	<u>\$ 756,374</u>	<u>\$ 5,717,368</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 48,212	\$ -	\$ 69	\$ 48,281
Accrued liabilities	164,479	-	-	164,479
Deposits	3,515	-	-	3,515
Due to other funds	-	5,869	61,128	66,997
Deferred revenue - ARPA funds	57,494	-	-	57,494
Deferred revenue	39,281	-	60,278	99,559
<b>Total liabilities</b>	<u>312,981</u>	<u>5,869</u>	<u>121,475</u>	<u>440,325</u>
<b>Fund balances</b>				
Restricted	258,612	848,821	(5,120)	1,102,313
Committed	-	-	640,019	640,019
Unassigned	3,534,711	-	-	3,534,711
<b>Total fund balances</b>	<u>3,793,323</u>	<u>848,821</u>	<u>634,899</u>	<u>5,277,043</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,106,304</u>	<u>\$ 854,690</u>	<u>\$ 756,374</u>	<u>\$ 5,717,368</u>

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2024</b></p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Total governmental fund balances** \$ 5,277,043

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

Capital assets of \$7,547,994 net of accumulated depreciation of (\$3,487,986), used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 4,060,008

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 pension and OPEB are applicable to future periods and therefore are not reported in the governmental funds:

Deferred outflows related to pension	706,767
Deferred outflows related to OPEB	204,437
Deferred inflows related to pension	(724,555)
Deferred inflows related to OPEB	(1,130,177)

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	(39,438)
Capital lease obligations - fire department	(113,554)
Investment in joint venture	(2,408,366)
Net unfunded pension liability	(3,336,244)
Net unfunded OPEB liability	(93,777)

**Net position of governmental activities** \$ 2,501,703

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS</b>  <b>For the Year Ended June 30, 2024</b></p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	General Fund	Tax Incentive Financing	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,897,266	\$ 741,831	\$ 168,452	\$ 2,807,549
Licenses and permits	2,596,311	-	-	2,596,311
Intergovernmental	616,408	57,459	114,115	787,982
Charges for services	401,386	-	-	401,386
Fines and forfeitures	261,238	-	-	261,238
Interest	44,531	10,964	12,670	68,165
Grant restricted	258,612	-	-	258,612
Miscellaneous	293,431	-	10,849	304,280
<b>Total revenues</b>	<u>6,369,183</u>	<u>810,254</u>	<u>306,086</u>	<u>7,485,523</u>
<b>Expenditures</b>				
General government	781,375	-	-	781,375
Police department	1,623,105	-	-	1,623,105
Fire department	1,170,401	-	-	1,170,401
Public works	779,880	-	214,316	994,196
Building services	137,912	-	-	137,912
Waste collection	218,973	-	-	218,973
Recreation	-	-	91,598	91,598
Professional services	345,992	740,588	-	1,086,580
Urban redevelopment	-	-	137,095	137,095
Debt service	61,616	-	-	61,616
Capital outlay	151,840	-	-	151,840
<b>Total expenditures</b>	<u>5,271,094</u>	<u>740,588</u>	<u>443,009</u>	<u>6,454,691</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>1,098,089</u>	<u>69,666</u>	<u>(136,923)</u>	<u>1,030,832</u>
<b>Other financing sources (uses)</b>				
Transfers in	30,000	148,918	38,765	217,683
Transfers out	(187,683)	-	(30,000)	(217,683)
<b>Total other financing sources (uses)</b>	<u>(157,683)</u>	<u>148,918</u>	<u>8,765</u>	<u>-</u>
<b>Net change in fund balances</b>	940,406	218,584	(128,158)	1,030,832
<b>Fund balances - beginning of year</b>	<u>2,852,917</u>	<u>630,237</u>	<u>763,057</u>	<u>4,246,211</u>
<b>Fund balances - end of year</b>	<u>\$ 3,793,323</u>	<u>\$ 848,821</u>	<u>\$ 634,899</u>	<u>\$ 5,277,043</u>

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Net change in fund balances-total governmental funds** \$ 1,030,832

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 \$151,840 were more than depreciation expense (\$261,160) in the current period.

Capital outlays	151,840
Depreciation	(261,160)

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. 215,085

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. -

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.

Net effect of change - pension - CERS	328,579
Net effect of change - OPEB - CERS	134,559

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 53,764

**Change in net position of governmental activities** \$ 1,653,499

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

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

**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, 2024**

**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, 2024**

**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.

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 amounts would be reported as receivables and payables in the respective funds. Nonreciprocal interfund

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

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 governmental funds and capitalized in 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, 2024**

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 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 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, 2024**

*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 Urban Renewal 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. The Park Board Fund has a committed fund balance.

*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, 2024. 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.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

- 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, 2024, 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, 2024 was \$4,671,288. 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, 2024 was a liability of (\$2,408,366) a decrease of \$215,085 from the previous year.

The City had no other investments at June 30, 2024.

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

**NOTE E – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for governmental activities for the year ended June 30, 2024 is as follows:

	June 30, 2023	Additions	Retirements	June 30, 2024
Governmental activities:				
Assets not being depreciated				
Land	\$ 1,495,307	\$ -	\$ -	\$ 1,495,307
Construction in progress	233,750	95,204	-	328,954
	<u>1,729,057</u>	<u>95,204</u>	<u>-</u>	<u>1,824,261</u>
Other capital assets				
Buildings	1,149,624	56,636	-	1,206,260
Infrastructure	2,405,693	-	-	2,405,693
Improvements	675,926	-	-	675,926
Vehicles	801,244	-	-	801,244
Equipment	547,261	-	-	547,261
Furniture	87,349	-	-	87,349
Subtotal	<u>5,667,097</u>	<u>56,636</u>	<u>-</u>	<u>5,723,733</u>
Accumulated depreciation				
Buildings	(850,944)	(10,656)	-	(861,600)
Infrastructure	(1,063,170)	(101,393)	-	(1,164,563)
Improvements	(249,452)	(37,703)	-	(287,155)
Vehicles	(592,657)	(65,079)	-	(657,736)
Equipment	(388,100)	(45,343)	-	(433,443)
Furniture and fixtures	(82,503)	(986)	-	(83,489)
Subtotal	<u>(3,226,826)</u>	<u>(261,160)</u>	<u>-</u>	<u>(3,487,986)</u>
Other capital assets, less depreciation	<u>2,440,271</u>	<u>(204,524)</u>	<u>-</u>	<u>2,235,747</u>
Capital assets, net	<u>\$ 4,169,328</u>	<u>\$ (109,320)</u>	<u>\$ -</u>	<u>\$ 4,060,008</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, 2024:

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2025	\$ 40,106
2026	40,106
2027	<u>40,106</u>
Total minimum lease payments	\$ 120,318
Less: amount representing interest	<u>(6,764)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 113,554</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, 2024:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2025	\$ 21,511
2026	<u>21,510</u>
Total minimum lease payments	\$ 43,021
Less: amount representing interest	<u>(3,583)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 39,438</u>

**NOTE G - CONDUIT DEBT OBLIGATIONS**

The City has issued Industrial Building Revenue Bonds (IRB) 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, 2024, there were 9 Industrial Building Revenue Bonds that are providing \$109,932,980 of investment in the City. The amount outstanding at June 30, 2024 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><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

**NOTE I – INTERFUND TRANSFERS**

The following interfund transfers occurred for the year ended June 30, 2024:

	Transfers In	Transfers Out
General Fund	\$ 30,000	\$ (187,683)
Tax Incentive Financing Fund	148,918	-
Park Board Fund	3,686	-
Municipal Road Aid Fund	-	(30,000)
Urban Renewal Fund	35,079	-
	<u>\$ 217,683</u>	<u>\$ (217,683)</u>

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

**NOTE J – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

Governmental fund balances as of June 30, 2024, consist of the following:

	General Fund	Tax Incentive Financing Fund	Non-Major Funds	Total
Restricted	\$ 258,612	\$ 848,821	\$ (5,120)	\$ 1,102,313
Committed	-	-	640,019	640,019
Unassigned	3,534,711	-	-	3,534,711
Total Fund Balance	<u>\$ 3,793,323</u>	<u>\$ 848,821</u>	<u>\$ 634,899</u>	<u>\$ 5,277,043</u>

**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 Statute (“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><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

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

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,849	76,946	9,184	9,109
Inactive Plan Members	105,707	28,719	4,100	883
Retired Members	68,889	37,584	11,231	7,655
	<u>252,445</u>	<u>143,249</u>	<u>24,515</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 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 health insurance benefits 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><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

**Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to hazardous 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 health insurance benefits 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:

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

**Contributions**

For non-hazardous duty employees, the City contributed 23.34% of covered-employee's compensation, of which 23.34% was for the pension fund and 0.00% was for the health insurance fund.

<b>CITY OF DAYTON, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2024</b>
----------------------------------------------------------------------------------------------------------------

For hazardous duty employees, the City contributed 43.69% of covered-employee's compensation, of which 41.11% was for the pension fund and 2.58% 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 \$151,570, of which \$151,570 was for the pension fund and \$0 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 \$324,704, of which \$305,529 was for the pension fund and \$19,175 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, 2024, the City reported a liability of \$3,336,244 (\$1,044,223 for the non-hazardous plan and \$2,292,021 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.01627% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.085017% of the total CERS hazardous duty employees. For the year ended June 30, 2024, the City recognized pension gain of \$328,581 in addition to its \$457,099 pension contribution.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 54,057	\$ (2,837)	\$ 104,782	\$ -	\$ 158,839	\$ (2,837)
Net difference between projected actual earnings on plan investments	-	(14,243)	-	(22,993)	-	(37,236)
Changes of assump.	-	(95,704)	-	(179,000)	-	(274,704)
Changes in proportion, differences between contributions and proportionate share of contributions	40,777	(15,867)	50,052	(393,910)	90,829	(409,777)
Contributions subsequent to the measurement date	151,570	-	305,529	-	457,099	-
	<u>\$ 246,404</u>	<u>\$ (128,651)</u>	<u>\$ 460,363</u>	<u>\$ (595,903)</u>	<u>\$ 706,767</u>	<u>\$ (724,554)</u>

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

The City's contributions subsequent to the measurement date of \$457,099 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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
2024	\$ (207,233)
2025	(175,026)
2026	(39,224)
2027	(53,403)
2028	-
Thereafter	-
	<u>\$ (474,886)</u>

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

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

**Changes of Assumptions**

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

retirement pattern. The total pension liability as of June 30, 2023, for the non-hazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. 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 are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous and Hazardous

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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous and hazardous systems assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

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 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.

**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 and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

**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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 1,318,394	\$ 1,044,223	\$ 816,376
Hazardous	2,894,223	2,292,021	1,800,158
Total	\$ 4,212,617	\$ 3,336,244	\$ 2,616,534

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

**Non-Hazardous OPEB Plan Description**

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

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

**Hazardous OPEB Plan Description**

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

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

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

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

**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 0.00% of covered employees’ compensation for the health insurance fund.

For hazardous duty employees, the City contributed 2.58% of covered employees’ compensation for the health insurance fund.

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

The City made all required contributions for the non-hazardous plan OPEB obligation for the fiscal year in the amount of \$0.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$19,175.

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, 2024, the City recognized OPEB gain of \$134,559 in addition to its \$19,175 OPEB contribution.

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

At June 30, 2024, the City reported a liability of \$93,777 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.01627% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.08496% 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	\$ 15,663	\$ (319,017)	\$ 10,514	\$ (479,243)	\$ 26,177	\$ (798,260)
Net difference between projected actual earnings on plan investments	-	(5,215)	-	(16,010)	-	(21,225)
Changes of assump.	44,215	(30,813)	79,372	(121,180)	123,587	(151,993)
Changes in proportion, differences between contributions and proportionate share of contributions	19,576	(10,580)	15,922	(148,119)	35,498	(158,699)
Contributions subsequent to the measurement date	-	-	19,175	-	19,175	-
	<u>\$ 79,454</u>	<u>\$ (365,625)</u>	<u>\$ 124,983</u>	<u>\$ (764,552)</u>	<u>\$ 204,437</u>	<u>\$ (1,130,177)</u>

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

The City’s contributions subsequent to the measurement date of \$19,175 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2024	\$ (208,683)
2025	(243,107)
2026	(193,829)
2027	(202,598)
2028	(96,698)
Thereafter	-
	<u>\$ (944,915)</u>

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

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the non-hazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
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%

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous 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, 2023, 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 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

future increases in the medical costs. There were no other material assumption changes.

**Discount Rate**

Single discount rates of 5.93% for CERS non-hazardous and 5.97% for CERS hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. 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 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 and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

**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 5.93% for the Non-hazardous plan and the 5.97% 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:

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 42,163	\$ (22,468)	\$ (76,588)
Discount Rate, Hazardous	4.97%	5.97%	6.97%
Net OPEB liability, Haz	\$ 293,985	\$ 116,245	\$ (31,860)
Total	\$ 336,148	\$ 93,777	\$ (108,448)

**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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, Non-hazardous	\$ (72,013)	\$ (22,468)	\$ 38,394
Net OPEB liability, Hazardous	1,324	116,245	255,035
Total	\$ (70,689)	\$ 93,777	\$ 293,429

**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](http://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

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

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, 2024 is (\$2,408,366).

**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 2023-2024 was approximately \$1,190,454.

**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 four IRBs with Payments In Lieu Of Taxes (PILOT) programs under which tax abatements are provided to the developer under the terms of the IRBs.

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.

In addition, the City has authorized three separate IRBs in the Manhattan Harbour TIF District to the following entities, which pay PILOTs to the City:

- 1) CF Riverview Multifamily/DST, operating as Manhattan on the River Apartments, formerly Tapestry Apartments. This apartment complex, located at 1065 Manhattan Blvd., opened to the

**CITY OF DAYTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2024**

public in 2022. The IRB is for a 30-year term and the first PILOT payment was made to the City in 2021.

- 2) Velo Riverside LLC, operating as Velo Riverside Apartments. This apartment complex, located 1181 Manhattan Blvd., opened to the public in 2024. The IRB is for a 30-year term and the first PILOT payment was made to the City in 2023.
- 3) Several multi-family buildings on Manhattan Boulevard built by entities affiliated with developer Brendan Sullivan. These entities are identified in the chart below. The IRB is for a 30-year term and the first PILOT payments under the IRB were made to the City in 2021. Some of these properties have been fully developed, some are currently under development, and others are planned for future development:

<b>PIDN</b>	<b>Name</b>	<b>Address (if applicable)</b>
999-99-33-462.62	QC Riverboats	Manhattan Blvd.
999-99-33-462.11	QC Riverboats	335 Manhattan Blvd
999-99-33-462.12	QC Riverboats	345 Manhattan Blvd
999-99-33-462.13	QC Riverboats	353 Manhattan Blvd
999-99-39-573.00	QC Riverboats	353 Manhattan Blvd Unit 2
999-99-39-574.00	QC Riverboats	353 Manhattan Blvd Unit 3
999-99-33-462.14	QC Riverboats	363 Manhattan Blvd
999-99-33-462.15	QC Riverboats	373 Manhattan Blvd
999-99-33-462.16	QC Riverboats	383 Manhattan Blvd
999-99-33-462.17	QC Riverboats	391 Manhattan Blvd
999-99-33-462.18	QC Riverboats	401 Manhattan Blvd
999-99-33-462.19	QC Riverboats	411 Manhattan Blvd
999-99-33-462.67	River Commons at Manhattan Harbour LLC	385 Manhattan Blvd
999-99-33-462.68	River Commons at Manhattan Harbour LLC	393 Manhattan Blvd
999-99-33-462.73	S&S Development LLC	599 Manhattan Blvd
999-99-33-462.74	S&S Development LLC	605 Manhattan Blvd
999-99-33-462.35	S&S Development LLC	589 Manhattan Blvd
999-99-33-462.69	SSCC Development LLC	Manhattan Blvd.
999-99-33-462.75	SSCC Development LLC	737-739 Manhattan Blvd
999-99-33-462.90	SSCC Development LLC	Garage Unit Waterfront
999-99-33-462.38	QC Riverboats	617 Manhattan Blvd
999-99-33-462.77	SSCC Development LLC	737-102 Manhattan Blvd (Unit 102)
999-99-33-462.78	SSCC Development LLC	737-103 Manhattan Blvd (Unit 103)
999-99-33-462.81	SSCC Development LLC	737-202 Manhattan Blvd (Unit 202)
999-99-33-462.82	SSCC Development LLC	737-203 Manhattan Blvd (Unit 203)
999-99-33-462.83	SSCC Development LLC	737-204 Manhattan Blvd (Unit 204)

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2024</b></p>
---------------------------------------------------------------------------------------------------------------------------

999-99-33-462.85	SSCC Development LLC	737-302 Manhattan Blvd (Unit 302)
999-99-33-462.86	SSCC Development LLC	737-303 Manhattan Blvd (Unit 303)
999-99-33-462.87	SSCC Development LLC	737-304 Manhattan Blvd (Unit 304)
999-99-33-462.88	SSCC Development LLC	737-401 Manhattan Blvd
999-99-33-462.89	SSCC Development LLC	737-402 Manhattan Blvd (Unit 402)

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 pay back 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. 99 – *Omnibus 2020*, Para. 4-10 – This standard has no significant impact on the City.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the City.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the City.

**NOTE P – FUTURE ACCOUNTING STANDARDS**

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

**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 \$496,754 of the funding in the fiscal year ending June 30, 2024. The remaining \$57,494 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 20, 2025, the date on which the financial statements were available for issue. The City had no events subsequent to June 30, 2024 through May 20, 2025 to disclose.

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Budgetary fund balance, July 1</b>	\$ 2,400,000	\$ 2,400,000	\$ 2,852,917	\$ 452,917
<b>Revenues</b>				
Taxes	1,640,000	1,886,000	1,897,266	11,266
Licenses and permits	2,077,200	2,570,000	2,596,311	26,311
Intergovernmental	71,000	111,000	616,408	505,408
Fines and penalties	80,650	265,000	261,238	(3,762)
Charges for services	431,600	431,600	401,386	(30,214)
Other	110,900	275,000	293,431	18,431
Grant restricted	3,303,120	100,000	258,612	158,612
Interest	30,000	30,000	44,531	14,531
Resources available for appropriation	<u>10,144,470</u>	<u>8,068,600</u>	<u>9,222,100</u>	<u>1,153,500</u>
<b>Appropriations</b>				
General government	703,364	775,000	781,375	(6,375)
Police department	1,536,660	1,560,000	1,594,335	(34,335)
Fire department	1,230,560	1,230,560	1,210,507	20,053
Public works	494,028	494,028	487,210	6,818
Code enforcement	136,609	136,609	131,544	5,065
Waste collection	232,000	232,000	218,973	13,027
Professional services/grants/misc.	140,550	370,000	345,992	24,008
Capital outlay	4,280,290	750,000	501,158	248,842
Total appropriations	<u>8,754,061</u>	<u>5,548,197</u>	<u>5,271,094</u>	<u>277,103</u>
<b>Excess of resources over appropriations</b>	<u>1,390,409</u>	<u>2,520,403</u>	<u>3,951,006</u>	<u>1,430,603</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	30,000	30,000
Transfers out	-	-	(187,683)	(187,683)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(157,683)</u>	<u>(157,683)</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 1,390,409</u>	<u>\$ 2,520,403</u>	<u>\$ 3,793,323</u>	<u>\$ 1,272,920</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, 2024**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance, July 1</b>	\$ 900,000	\$ 900,000	\$ 630,237	\$ (269,763)
<b>Revenues</b>				
Taxes	650,000	650,000	741,831	91,831
Intergovernmental	183,000	183,000	57,459	(125,541)
Interest	10,000	10,000	10,964	964
<b>Resources available for appropriation</b>	<u>1,743,000</u>	<u>1,743,000</u>	<u>1,440,491</u>	<u>(302,509)</u>
<b>Appropriations</b>				
TIF payments	505,000	865,000	675,342	189,658
Miscellaneous expenses	211,000	266,000	65,246	200,754
<b>Total appropriations</b>	<u>716,000</u>	<u>1,131,000</u>	<u>740,588</u>	<u>390,412</u>
<b>Excess (deficiency) of resources over (under) appropriations</b>	1,027,000	612,000	699,903	87,903
<b>Other financing sources (uses)</b>				
Transfers in (out)	-	-	148,918	148,918
<b>Budgetary fund balance, June 30</b>	<u>\$ 1,027,000</u>	<u>\$ 612,000</u>	<u>\$ 848,821</u>	<u>\$ 236,821</u>

**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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.016270%	0.015360%	0.016130%	0.015770%	0.015160%	0.014710%	0.015880%	0.014760%	0.016433%	0.016077%
Proportionate share of the net pension liability (asset)	\$ 1,044,223	\$ 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	\$ 486,171	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,623	\$ 364,825
Share of the net pension liability (asset) as a percentage of its covered payroll	214.79%	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	57.48%	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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 151,570	\$ 113,764	\$ 89,807	\$ 82,633	\$ 94,774	\$ 62,034	\$ 51,509	\$ 53,938	\$ 45,386	\$ 49,422
Actual contribution	151,570	113,764	89,807	82,633	94,774	62,034	51,509	53,938	45,386	49,422
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 649,400	\$ 486,171	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652	\$ 365,427	\$ 387,624
Contributions as a percentage of covered payroll	23.34%	23.40%	21.17%	19.30%	22.94%	17.78%	14.48%	13.95%	12.42%	12.75%

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2024**

The net pension liability (asset) as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension (expense) gain, 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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.085017%	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)	\$ 2,292,021	\$ 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	\$ 613,524	\$ 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	373.58%	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	52.96%	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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 305,529	\$ 262,650	\$ 211,620	\$ 164,625	\$ 178,200	\$ 153,616	\$ 121,432	\$ 121,321	\$ 103,472	\$ 100,023
Actual contribution	305,529	262,650	211,620	164,625	178,200	153,616	121,432	121,321	103,472	100,023
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 743,199	\$ 613,524	\$ 624,985	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545	\$ 510,721	\$ 435,830
Contributions as a percentage of covered payroll	41.11%	42.81%	33.86%	30.06%	30.06%	24.86%	22.20%	21.64%	20.26%	22.95%

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2024**

The net pension liability (asset) as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension (expense) gain, 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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability (asset)	0.016270%	0.015360%	0.016120%	0.015770%	0.015160%	0.014710%	0.015880%			
Proportionate share of the net OPEB liability (asset)	\$ (22,468)	\$ 303,092	\$ 308,686	\$ 380,701	\$ 254,951	\$ 261,173	\$ 319,262			
Covered payroll in year of measurement	\$ 486,171	\$ 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	-4.62%	71.45%	72.10%	92.13%	73.07%	73.42%	82.57%			
Plan fiduciary net position as a percentage of total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%			

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
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	\$ 649,400	\$ 486,171	\$ 424,219	\$ 428,151	\$ 413,207	\$ 348,909	\$ 355,727	\$ 386,652		
Contributions as a percentage of covered payroll	0.00%	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, 2024**

The net OPEB liability (asset) as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the OPEB (expense) gain, 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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.084960%	0.095919%	0.093317%	0.110494%	0.108448%	0.095525%	0.08147%			
Proportionate share of the net OPEB liability (asset)	\$ 116,245	\$ 817,024	\$ 754,523	\$ 1,021,081	\$ 802,363	\$ 681,090	\$ 673,465			
Covered payroll in year of measurement	\$ 613,524	\$ 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	18.95%	130.73%	137.77%	172.24%	129.85%	124.52%	120.14%			
Plan fiduciary net position as a percentage of total OPEB liability	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%			

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 19,175	\$ 41,597	\$ 65,436	\$ 52,137	\$ 56,436	\$ 64,697	\$ 51,144	\$ 52,411		
Actual contribution	19,175	41,597	65,436	52,137	56,436	64,697	51,144	52,411		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 743,199	\$ 613,524	\$ 624,985	\$ 547,653	\$ 592,815	\$ 617,923	\$ 546,993	\$ 560,545		
Contributions as a percentage of covered payroll	2.58%	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, 2024**

The net OPEB liability (asset) as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the OPEB (expense) gain, 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.

<b>CITY OF DAYTON, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS</b> <b>June 30, 2024</b>
--------------------------------------------------------------------------------------------------------------------------

	<b>Park Board</b>	<b>Municipal Road Aid</b>	<b>Urban Renewal</b>	<b>Total Non-major Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 243,417	\$ 9,569	\$ 441,610	\$ 694,596
Accounts receivable	2,518	-	57,760	60,278
Due from other funds	-	-	1,500	1,500
<b>Total assets</b>	<b>\$ 245,935</b>	<b>\$ 9,569</b>	<b>\$ 500,870</b>	<b>\$ 756,374</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 69	\$ -	\$ -	\$ 69
Due to other funds	46,439	14,689	-	61,128
Deferred revenue	2,518	-	57,760	60,278
<b>Total liabilities</b>	<b>49,026</b>	<b>14,689</b>	<b>57,760</b>	<b>121,475</b>
<b>Fund balances</b>				
Restricted	-	(5,120)	443,110	437,990
Committed	196,909	-	-	196,909
<b>Total fund balances</b>	<b>196,909</b>	<b>(5,120)</b>	<b>443,110</b>	<b>634,899</b>
<b>Total liabilities and fund balances</b>	<b>\$ 245,935</b>	<b>\$ 9,569</b>	<b>\$ 500,870</b>	<b>\$ 756,374</b>

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

<p><b>CITY OF DAYTON, KENTUCKY</b>  <b>COMBINING STATEMENT OF REVENUES, EXPENDITURES AND</b>  <b>CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS</b>  <b>For the Year Ended June 30, 2024</b></p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<u>Park Board</u>	<u>Municipal Road Aid</u>	<u>Urban Renewal</u>	<u>Total Non-major Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 168,452	\$ -	\$ -	\$ 168,452
Intergovernmental	-	114,115	-	114,115
Fine and forfeitures	-	-	-	-
Other	801	40	10,008	10,849
Interest	1,561	464	10,645	12,670
<b>Total revenues</b>	<u>170,814</u>	<u>114,619</u>	<u>20,653</u>	<u>306,086</u>
<b>Expenditures</b>				
Park expenses	91,192	-	-	91,192
Capital improvements	18,506	-	-	18,506
Public works	-	195,810	-	195,810
Urban redevelopment	-	-	137,095	137,095
Miscellaneous	406	-	-	406
<b>Total expenditures</b>	<u>110,104</u>	<u>195,810</u>	<u>137,095</u>	<u>443,009</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>60,710</u>	<u>(81,191)</u>	<u>(116,442)</u>	<u>(136,923)</u>
<b>Other financing sources (uses)</b>				
Transfers in (out)	3,686	(30,000)	35,079	8,765
Total other financing sources (uses)	<u>3,686</u>	<u>(30,000)</u>	<u>35,079</u>	<u>8,765</u>
<b>Change in fund balances</b>	64,396	(111,191)	(81,363)	(128,158)
<b>Fund balance - beginning of year</b>	<u>132,513</u>	<u>106,071</u>	<u>524,473</u>	<u>763,057</u>
<b>Fund balance - end of year</b>	<u>\$ 196,909</u>	<u>\$ (5,120)</u>	<u>\$ 443,110</u>	<u>\$ 634,899</u>

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**PARK BOARD FUND**  
**For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Budgetary fund balance, July 1</b>	\$ 60,100	\$ 60,100	\$ 132,513	\$ 72,413
<b>Revenues</b>				
Intergovernmental	135,000	135,000	168,452	33,452
Interest	1,000	1,000	1,561	561
Other	72,400	72,400	801	(71,599)
<b>Resources available for appropriation</b>	<u>268,500</u>	<u>268,500</u>	<u>303,327</u>	<u>34,827</u>
<b>Appropriations</b>				
Park expense	137,500	137,500	91,192	46,308
Capital improvements	98,000	98,000	18,506	79,494
Miscellaneous expenses	-	-	406	(406)
<b>Total appropriations</b>	<u>235,500</u>	<u>235,500</u>	<u>110,104</u>	<u>125,396</u>
<b>Excess (deficiency) of resources over (under) appropriations</b>	33,000	33,000	193,223	160,223
<b>Other financing sources (uses)</b>				
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	3,686	3,686
<b>Budgetary fund balance, June 30</b>	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 196,909</u>	<u>\$ 163,909</u>

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**MUNICIPAL ROAD AID FUND**  
**For the Year Ended June 30, 2024**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Budgetary fund balance, July 1</b>	\$ 115,000	\$ 115,000	\$ 106,071	\$ (8,929)
<b>Revenues</b>				
Intergovernmental	118,000	118,000	114,115	(3,885)
Interest	2,500	2,500	464	(2,036)
Other	-	-	40	40
Resources available for appropriation	<u>235,500</u>	<u>235,500</u>	<u>220,690</u>	<u>(14,810)</u>
<b>Appropriations</b>				
Public works	<u>50,000</u>	<u>197,000</u>	<u>195,810</u>	<u>1,190</u>
Total appropriations	<u>50,000</u>	<u>197,000</u>	<u>195,810</u>	<u>1,190</u>
<b>Excess of resources over appropriations</b>	185,500	38,500	24,880	(13,620)
<b>Other financing sources (uses)</b>				
Transfers in (out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 155,500</u>	<u>\$ 8,500</u>	<u>\$ (5,120)</u>	<u>\$ (13,620)</u>

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

**CITY OF DAYTON, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**URBAN RENEWAL FUND**  
**For the Year Ended June 30, 2024**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Budgetary fund balance, July 1</b>	\$ 500,000	\$ 500,000	\$ 524,473	\$ 24,473
<b>Revenues</b>				
Interest	8,000	8,000	10,645	2,645
Other	-	-	10,008	10,008
Resources available for appropriation	<u>508,000</u>	<u>508,000</u>	<u>545,126</u>	<u>37,126</u>
<b>Appropriations</b>				
Urban redevelopment	185,000	185,000	137,095	47,905
Capital outlay	-	-	-	-
Other	-	-	-	-
Total appropriations	<u>185,000</u>	<u>185,000</u>	<u>137,095</u>	<u>47,905</u>
<b>Excess of resources over appropriations</b>	323,000	323,000	408,031	85,031
<b>Other financing sources (uses)</b>				
Transfers in (out)	-	-	35,079	35,079
<b>Budgetary fund balance, June 30</b>	<u>\$ 323,000</u>	<u>\$ 323,000</u>	<u>\$ 443,110</u>	<u>\$ 120,110</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, 2024 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 20, 2025.

**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. We did identify certain deficiencies in internal control, described below as **Finding No. 2024-01** that we consider to be a material weakness.

**Finding No. 2024-01 – Lack of Control Over Financial Reporting**

**Criteria:** Kentucky Revised Statute 91A.020, paragraph (1)(b) states “*Each city shall keep its accounting records and render financial reports in such a way as to: (b) Determine fairly and with full disclosure the financial operations of the constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles.*” The City is required by KRS statute to have internal controls over the fiscal year-end financial reporting process to record year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

**Condition:** For the fiscal year 2023-2024, the auditor was required to make numerous journal entries, primarily for the *due from other funds*, *due to other funds*, *transfers in*, and *transfers out* accounts. These misstatements were not previously identified by the City's internal controls over financial reporting.

**Cause:** The City failed to provide proper oversight over fiscal year-end financial reporting, which resulted in misstated accounting records.

**Effect:** The City's books required numerous audit adjustments to ensure the financial records were fairly stated in accordance with generally accepted accounting principles. The City is therefore in violation of KRS 91A.020(1)(b).

**Recommendation:** We recommend that the City increase the involvement of a consultant accountant (i.e. to a monthly basis vs. year-end adjustments only). The City's accounting function is too complex for year-end only adjustments and requires regular review by an experienced accountant.

The City should also adjust and reconcile the *due from other funds*, *due to other funds*, *transfers in*, *transfers out* accounts to ensure the City's fiscal year-end reports are accurately stated.

### **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 20, 2025