# CITY OF DAYTON, KENTUCKY

## ANNUAL FINANCIAL REPORT

## For the Year Ended June 30, 2025

# CITY OF DAYTON, KENTUCKY

## ANNUAL FINANCIAL REPORT

### For the Year Ended June 30, 2025

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# CITY OF DAYTON, KENTUCKY

## CITY OFFICIALS

## As of June 30, 2025

**Mayor**

Ben Baker

**Council Members**

| | |
|---|---|
| Tarris Troy Horton | Aaron Judd |
| Christina Kelly | Jessica Lovins |
| Joe Neary | Beth Nyman |

**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, 2025, 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, 2025, 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


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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 and non-major budget to actual 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 and non-major budget to actual 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 31, 2026, 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 31, 2026

# CITY OF DAYTON, KENTUCKY
# MANAGEMENT'S DISCUSSION & ANALYSIS
# For the Year Ended June 30, 2025

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, 2025. Please read this analysis in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The City's net position is $4,346,098; this was an increase of $1,876,056 above the prior year.
- During the year, the City's Funds had expenses that were $815,663 less than the $7,613,913 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 $3,466,894 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 $76,844 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.

*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, 2025 and 2024, net position for all governmental activities changed as follows:

| | Governmental Activities | |
|---|---|---|
| | | *(Restated)* |
| | **2025** | **2024** |
| Current assets | $ 6,976,612 | $ 5,650,371 |
| Capital assets, net | 4,571,191 | 4,217,878 |
| Total assets | 11,547,803 | 9,868,249 |
| Deferred outflows of resources | 1,124,165 | 911,204 |
| Total assets and deferred outflows of resources | 12,671,968 | 10,779,453 |
| | | |
| Current liabilities | 414,336 | 363,523 |
| Long-term liabilities | 6,325,068 | 6,091,156 |
| Total liabilities | 6,739,404 | 6,454,679 |
| Deferred inflows of resources | 1,586,466 | 1,854,732 |
| Total liabilities and deferred inflows of resources | 8,325,870 | 8,309,411 |
| | | |
| Net investment in capital assets | 4,137,566 | 3,907,016 |
| Restricted-Municipal Road Aid | 956,886 | 1,102,313 |
| Unrestricted | (748,354) | (2,539,287) |
| Total net position | $ 4,346,098 | $ 2,470,042 |

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 $4,346,098 as of June 30, 2025.

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 2025 and 2024:

**Changes in Net Position**

| | Governmental Activities | |
|---|---|---|
| | | *(Restated)* |
| | **2025** | **2024** |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | $ 392,295 | $ 401,386 |
| Operating grants | 221,576 | 616,408 |
| Capital grants | 522,522 | 430,186 |
| General revenues: | | |
| Property taxes | 3,480,683 | 2,807,549 |
| Licenses & permits | 2,876,000 | 2,596,311 |
| Fines & forfeitures | 217,989 | 261,238 |
| Interest | 68,616 | 68,165 |
| Investment in Fire Department | (53,657) | 215,085 |
| Other | 350,223 | 304,280 |
| Total revenues | 8,076,247 | 7,700,608 |
| Expenses: | | |
| General government | 871,070 | 813,036 |
| Police | 1,621,337 | 1,623,105 |
| Fire | 1,165,369 | 1,170,401 |
| Public works | 725,661 | 994,196 |
| Building service | 140,805 | 137,912 |
| Waste collection | 246,379 | 218,973 |
| Recreation | 194,250 | 91,598 |
| Professional services | 1,240,955 | 1,086,580 |
| Urban redevelopment | 98,801 | 137,095 |
| Unallocated depreciation | 253,943 | 261,160 |
| Unallocated pension/OPEB costs | (367,510) | (463,138) |
| Interest | 9,131 | 7,852 |
| Total expenses | 6,200,191 | 6,078,770 |
| Change in net position | 1,876,056 | 1,621,838 |
| Net position-beginning | 2,470,042 | 848,204 |
| Net position-end of year | $ 4,346,098 | $ 2,470,042 |

The City's net position increased by $1,876,056 during the current fiscal year. This increase is primarily attributable to the increase in tax revenue generated by new development in the City and a significant increase in license and permit revenue paid by businesses that are located or do work in the City.

## 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 $4,330,825. This is available for spending for our citizens.

## GENERAL FUND BUDGETING HIGHLIGHTS

City Council passed an original budget for 2024-2025 and made one set of amendments to the budget. Actual resources available for appropriation were $2,554,518 less than budgeted amounts, primarily due to $3,270,815 in expected grant revenue that was not received in the current year. Licenses and permits were $370,800 more than budgeted. Taxes (in the General Fund only) were $461,855 less than budgeted and other revenues were $430,213 less than budgeted.

The City expended $5,332,505 less than budgeted in the General Fund, primarily due to $5,234,723 in capital expenditures (related to the grant revenues mentioned above) which were not expended.

## CAPITAL ASSETS

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

| | Governmental Activities | |
|---|---|---|
| | | *(Restated)* |
| | **2025** | **2024** |
| Land | $ 1,495,307 | $ 1,495,307 |
| Construction in progress | - | 328,954 |
| Buildings | 1,376,067 | 1,206,260 |
| Infrastructure | 2,609,056 | 2,405,693 |
| Improvements | 932,710 | 675,926 |
| Equipment | 598,055 | 547,261 |
| Vehicles | 801,244 | 801,244 |
| Furniture | 87,349 | 87,349 |
| Subtotals | 7,899,788 | 7,547,994 |
| Accumulated depreciation | (3,741,929) | (3,487,986) |
| Right of use assets - leased vehicles | 494,057 | 179,639 |
| Accumulated amortization | (80,725) | (21,769) |
| Net Capital Assets | $ 4,571,191 | $ 4,217,878 |

## 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. The City, along with the City of Bellevue, retired this debt two years early during the current fiscal year.

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.

In fiscal years 2024 and 2025, the City began leasing police cruisers and public works vehicles. The value of these vehicles is displayed on the Statement of Net Position as Right of use assets. There is an equal and off-setting liability, with both current and long-term portions, displayed in the Liabilities section of the Statement of Net Position.

The following is a summary of the debt owed by the City in 2025 and 2024.

| | Long-Term Debt | |
|---|---|---|
| | | *(Restated)* |
| | **2024** | **2024** |
| Capital Lease - Fire Truck | $ - | $ 113,554 |
| Capital Lease - Equipment | 20,293 | 39,437 |
| Right of use assets - Lease | 413,332 | 157,870 |
| Total Long Term Debt | $ 433,625 | $ 310,861 |

The City's long-term debt, on the statement of net position, also includes net unfunded pension and OPEB liabilities of $3,543,738 and a net liability investment in the Fire Department of Bellevue and Dayton joint venture of $2,462,023.

## 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 that did not occur in fiscal year 2025 has been moved to fiscal year 2026 and 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 2025-2026 budget provides adequate resources for the continuation of services and programs at the present levels. Budgeted expenditures for 2025-2026 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, 2025

| | Governmental Activities |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and cash equivalents | $ 5,669,230 |
| Accounts receivable | 955,366 |
| National Opioid Settlement receivable | 352,016 |
| Total current assets | 6,976,612 |
| Noncurrent assets | |
| Capital assets | |
| Land | 1,495,307 |
| Construction in progress | - |
| Depreciable assets | 6,404,481 |
| Less: accumulated depreciation | (3,741,929) |
| Right of use assets | 494,057 |
| Less: accumulated amortization | (80,725) |
| Net capital assets | 4,571,191 |
| **Total assets** | 11,547,803 |
| **Deferred outflows of resources** | |
| Deferred outflows related to net pension and OPEB liabilities - CERS | 1,124,165 |
| **Total assets and deferred outflows of resources** | 12,671,968 |
| **Liabilities** | |
| Current liabilities | |
| Accounts payable | 85,443 |
| Accrued liabilities | 211,060 |
| Deposits | 3,515 |
| Current portion of capital lease obligations | 20,293 |
| Current portion of right of use lease liability | 94,025 |
| Total current liabilities | 414,336 |
| Noncurrent liabilities | |
| Noncurrent portion of right of use lease liability | 319,307 |
| Investment in joint venture | 2,462,023 |
| Net pension and OPEB liability | 3,543,738 |
| Total noncurrent liabilities | 6,325,068 |
| **Total liabilities** | 6,739,404 |
| **Deferred inflows of resources** | |
| Deferred inflows related to net pension and OPEB liabilities - CERS | 1,586,466 |
| **Total liabilities and deferred inflows of resources** | 8,325,870 |
| **Net position** | |
| Net invested in capital assets | 4,137,566 |
| Restricted | 1,115,263 |
| Unrestricted | (906,731) |
| **Total net position** | $ 4,346,098 |

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

**CITY OF DAYTON, KENTUCKY**
**STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2025**

| Functions/Programs: Primary Government: | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities | Total |
|---|---|---|---|---|---|---|
| **Governmental activities:** | | | | | | |
| General government | $ 871,070 | $ 368 | $ 57,494 | $ 388,043 | $ (425,165) | $ (425,165) |
| Police department | 1,621,337 | 230 | 153,881 | - | (1,467,226) | (1,467,226) |
| Fire department | 1,165,369 | - | 10,201 | - | (1,155,168) | (1,155,168) |
| Public works | 725,661 | 8,976 | - | 134,479 | (582,206) | (582,206) |
| Building service | 140,805 | - | - | - | (140,805) | (140,805) |
| Waste collection | 246,379 | 305,221 | - | - | 58,842 | 58,842 |
| Recreation | 194,250 | 77,500 | - | - | (116,750) | (116,750) |
| Professional services | 1,240,955 | - | - | - | (1,240,955) | (1,240,955) |
| Urban redevelopment | 98,801 | - | - | - | (98,801) | (98,801) |
| Unallocated depreciation | 253,943 | - | - | - | (253,943) | (253,943) |
| Unallocated pension/OPEB costs | (367,510) | - | - | - | 367,510 | 367,510 |
| Interest expense | 9,131 | - | - | - | (9,131) | (9,131) |
| **Total governmental activities** | 6,200,191 | 392,295 | 221,576 | 522,522 | (5,063,798) | (5,063,798) |
| **Total primary government** | $ 6,200,191 | $ 392,295 | $ 221,576 | $ 522,522 | (5,063,798) | (5,063,798) |
| | | **General revenues:** | | | | |
| | | Taxes | | | 3,480,683 | 3,480,683 |
| | | Licenses and permits | | | 2,876,000 | 2,876,000 |
| | | Fines and forfeitures | | | 217,989 | 217,989 |
| | | Interest | | | 68,616 | 68,616 |
| | | Change in investment - BDFD | | | (53,657) | (53,657) |
| | | Miscellaneous | | | 350,223 | 350,223 |
| | | **Total general revenues** | | | 6,939,854 | 6,939,854 |
| | | **Change in net position** | | | 1,876,056 | 1,876,056 |
| | | **Net position, beginning of year** | | | 2,501,703 | 2,501,703 |
| | | Prior period adjustment - See Note R | | | (31,661) | (31,661) |
| | | **Net position, end of year** | | | $ 4,346,098 | $ 4,346,098 |

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

# CITY OF DAYTON, KENTUCKY
## BALANCE SHEET - GOVERNMENTAL FUNDS
## June 30, 2025

| | General Fund | Tax Incentive Financing | Non-major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 4,867,690 | $ 129,957 | $ 671,583 | $ 5,669,230 |
| Accounts receivable | 895,088 | - | 60,278 | 955,366 |
| National Opioid Settlement receivable | 352,016 | - | - | 352,016 |
| Due from other funds | 123,871 | 939,966 | 47,239 | 1,111,076 |
| **Total assets** | $ 6,238,665 | $ 1,069,923 | $ 779,100 | $ 8,087,688 |
| | | | | |
| **Liabilities and fund balances** | | | | |
| | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 69,906 | $ - | $ 15,537 | $ 85,443 |
| Accrued liabilities | 211,060 | - | - | 211,060 |
| Deposits | 3,515 | - | - | 3,515 |
| Due to other funds | 939,966 | 131,367 | 39,743 | 1,111,076 |
| Deferred revenue - Opioid Settlement | 513,719 | - | - | 513,719 |
| Deferred revenue - taxes | 122,234 | - | 60,278 | 182,512 |
| Deferred revenue - other | 44,995 | - | - | 44,995 |
| **Total liabilties** | 1,905,395 | 131,367 | 115,558 | 2,152,320 |
| | | | | |
| **Fund balances** | | | | |
| Restricted | 2,445 | 938,556 | 174,262 | 1,115,263 |
| Committed | - | - | 489,280 | 489,280 |
| Unassigned | 4,330,825 | - | - | 4,330,825 |
| **Total fund balances** | 4,333,270 | 938,556 | 663,542 | 5,935,368 |
| | | | | |
| **Total liabilities and fund balances** | $ 6,238,665 | $ 1,069,923 | $ 779,100 | $ 8,087,688 |

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

## CITY OF DAYTON, KENTUCKY
### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
### June 30, 2025

| | |
|---|---|
| **Total governmental fund balances** | $ 5,935,368 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets of $7,899,788 net of accumulated depreciation of ($3,741,929), used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 4,157,859 |
| Right of use assets of $494,057 net of accumulated amortization of ($80,725), used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 413,332 |
| Long-term revenue deferrals are not available to pay for current period expenditures and therefore are deferred in the govermental funds. | 741,226 |
| 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 | 866,042 |
| Deferred outflows related to OPEB | 258,123 |
| Deferred inflows related to pension | (591,778) |
| Deferred inflows related to OPEB | (994,688) |
| 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 | (20,293) |
| Capital lease obligations - right of use assets | (413,332) |
| Investment in joint venture | (2,462,023) |
| Net unfunded pension liability | (3,466,894) |
| Net unfunded OPEB liability | (76,844) |
| **Net position of governmental activities** | $ 4,346,098 |

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

# CITY OF DAYTON, KENTUCKY
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
### For the Year Ended June 30, 2025

| Revenues | General Fund | Tax Incentive Financing | Non-major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Taxes | $ 1,908,145 | $ 1,264,716 | $ 179,874 | $ 3,352,735 |
| Licenses and permits | 2,876,000 | - | - | 2,876,000 |
| Intergovernmental | 221,576 | - | 132,034 | 353,610 |
| Charges for services | 392,295 | - | - | 392,295 |
| Fines and forfeitures | 217,989 | - | - | 217,989 |
| Interest | 50,082 | 6,121 | 12,413 | 68,616 |
| Grant restricted | 2,445 | - | - | 2,445 |
| Miscellaneous | 192,537 | - | 157,686 | 350,223 |
| **Total revenues** | 5,861,069 | 1,270,837 | 482,007 | 7,613,913 |
| **Expenditures** | | | | |
| General government | 871,070 | - | - | 871,070 |
| Police department | 1,621,337 | - | - | 1,621,337 |
| Fire department | 1,165,369 | - | - | 1,165,369 |
| Public works | 649,355 | - | 76,306 | 725,661 |
| Building services | 140,805 | - | - | 140,805 |
| Waste collection | 246,379 | - | - | 246,379 |
| Recreation | - | - | 194,250 | 194,250 |
| Professional services | 194,556 | 1,046,399 | - | 1,240,955 |
| Urban redevelopment | - | - | 98,801 | 98,801 |
| Debt service | 141,829 | - | - | 141,829 |
| Capital outlay | 186,325 | - | 165,469 | 351,794 |
| **Total expenditures** | 5,217,025 | 1,046,399 | 534,826 | 6,798,250 |
| **Excess (deficit) of revenues over expenditures** | 644,044 | 224,438 | (52,819) | 815,663 |
| **Other financing sources (uses)** | | | | |
| Transfers in | 118,964 | (134,703) | 111,462 | 95,723 |
| Transfers out | (65,723) | - | (30,000) | (95,723) |
| **Total other financing sources (uses)** | 53,241 | (134,703) | 81,462 | - |
| **Net change in fund balances** | 697,285 | 89,735 | 28,643 | 815,663 |
| **Fund balances - beginning of year** | 3,793,323 | 848,821 | 634,899 | 5,277,043 |
| Prior period adjustment - See Note R | (31,661) | - | - | (31,661) |
| Prior period adjustment - See Note Q | (125,677) | - | - | (125,677) |
| **Fund balances - end of year** | $ 4,333,270 | $ 938,556 | $ 663,542 | $ 5,935,368 |

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

**CITY OF DAYTON, KENTUCKY**
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**June 30, 2025**

| | |
|---|---|
| **Net change in fund balances-total governmental funds** | $ 815,663 |
| 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 | 351,794 |
| Depreciation | (253,943) |
| 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. | (53,657) |
| 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. | 515,991 |
| 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 | 161,401 |
| Net effect of change - OPEB - CERS | 206,109 |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 132,698 |
| **Change in net position of governmental activities** | $ 1,876,056 |

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

## 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.

**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:

<u>Governmental Fund Types</u>

*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.

**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 activity includes interfund transfers – flows of assets without equivalent flows of assets in return, and interfund reimbursements – repayments by the responsible fund.

Prepaids

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 |

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.

*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, 2025. 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.

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, 2025, 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, 2025 was $5,669,230. 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, 2025 was a liability of ($2,462,023) a decrease of $53,657 from the previous year.

The City had no other investments at June 30, 2025.

## NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2025 is as follows:

| | June 30, 2024 | Additions | Retirements | June 30, 2025 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Assets not being depreciated | | | | |
| Land | $ 1,495,307 | $ - | $ - | $ 1,495,307 |
| Construction in progress | 328,954 | - | (328,954) | - |
| | 1,824,261 | - | (328,954) | 1,495,307 |
| Other capital assets | | | | |
| Buildings | 1,206,260 | 169,807 | - | 1,376,067 |
| Infrastructure | 2,405,693 | 203,363 | - | 2,609,056 |
| Improvements | 675,926 | 256,784 | - | 932,710 |
| Vehicles | 801,244 | - | - | 801,244 |
| Equipment | 547,261 | 50,794 | - | 598,055 |
| Furniture | 87,349 | - | - | 87,349 |
| Subtotal | 5,723,733 | 680,748 | - | 6,404,481 |
| Accumulated depreciation | | | | |
| Buildings | (861,600) | (12,873) | - | (874,473) |
| Infrastructure | (1,164,563) | (101,131) | - | (1,265,694) |
| Improvements | (287,155) | (45,914) | - | (333,069) |
| Vehicles | (657,736) | (51,839) | - | (709,575) |
| Equipment | (433,443) | (41,200) | - | (474,643) |
| Furniture and fixtures | (83,489) | (986) | - | (84,475) |
| Subtotal | (3,487,986) | (253,943) | - | (3,741,929) |
| Other capital assets, less depreciation | 2,235,747 | 426,805 | - | 2,662,552 |
| Right of use assets - vehicle leases | 179,639 | 314,418 | - | 494,057 |
| Accumulated amortization | (21,769) | (58,956) | - | (80,725) |
| Subtotal | 157,870 | 255,462 | - | 413,332 |
| Capital assets, net | $ 4,217,878 | $ 682,267 | $ (328,954) | $ 4,571,191 |

## 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. This lease was paid in full, two years ahead of schedule, by each respective city during fiscal year 2025.

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, 2025:

| Year Ending June 30 | Capital Lease Payable |
|---|---|
| 2026 | $ 21,510 |
| Total minimum lease payments | $ 21,510 |
| Less: amount representing interest | (1,217) |
| Present Value of Net Minimum Lease Payments | $ 20,293 |

## 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, 2025, 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.

## NOTE I – INTERFUND TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2025:

| | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 118,964 | $ (65,723) |
| Tax Incentive Financing Fund | - | (134,703) |
| Park Board Fund | 45,739 | - |
| Municipal Road Aid Fund | - | (30,000) |
| Urban Renewal Fund | 65,723 | - |
| | $ 230,426 | $ (230,426) |

Transfers are used to move funds from the fund that statute or budget requires such funds to be received into the fund that statue 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, 2025, consist of the following:

| | General Fund | Tax Incentive Financing Fund | Non-Major Funds | Total |
|---|---|---|---|---|
| Restricted | $ 2,445 | $ 938,556 | $ 489,280 | $ 1,430,281 |
| Committed | - | - | 174,262 | 174,262 |
| Unassigned | 4,330,825 | - | - | 4,330,825 |
| Total Fund Balance | $ 4,333,270 | $ 938,556 | $ 663,542 | $ 5,935,368 |

## NOTE K – COUNTY EMPLOYEES' RETIREMENT SYSTEM

*Plan description* – City employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on ***Non-Hazardous*** duty and ***Hazardous*** duty covered-employee classifications. The City has both *Non-Hazardous* and *Hazardous Duty* employees.

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

| | Non-Hazardous | | Hazardous | |
|---|---|---|---|---|
| | Pension | OPEB | Pension | OPEB |
| Active Plan Members | 78,810 | 78,418 | 9,205 | 9,156 |
| Inactive Plan Members | 111,086 | 27,097 | 4,287 | 835 |
| Retired Members | 70,932 | 38,679 | 11,603 | 8,176 |
| | 260,828 | 144,194 | 25,095 | 18,167 |
| Number of participating employers | | 1,141 | | 260 |

**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:

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

**Hazardous Pension Plan Description**

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

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

**Contributions**

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is also set by state statute.

For non-hazardous duty employees, the City contributed 19.71% of covered-employee's compensation, of which 19.71% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 38.61% of covered-employee's compensation, of which 36.49% was for the pension fund and 2.12% 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 $125,020, of which $125,020 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 $286,674, of which $270,933 was for the pension fund and $15,741 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, 2025, the City reported a liability of $3,466,894 ($1,138,972 for the non-hazardous plan and $2,327,922 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.01905% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.09051% of the total CERS hazardous duty employees. For the year ended June 30, 2025, the City recognized a pension benefit of $161,401 in addition to its $395,953 pension contribution.

At June 30, 2025, 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 | $ 55,128 | $ - | $ 151,262 | $ - | $ 206,390 | $ - |
| Net difference between projected actual earnings on plan investments | - | (73,229) | - | (124,247) | - | (197,476) |
| Changes of assump. | - | (51,459) | - | (131,384) | - | (182,843) |
| Changes in proportion, differences between contributions and proportionate share of contributions | 131,051 | - | 132,648 | (211,459) | 263,699 | (211,459) |
| Contributions subsequent to the measurement date | 125,020 | - | 270,933 | - | 395,953 | - |
| | $ 311,199 | $ (124,688) | $ 554,843 | $ (467,090) | $ 866,042 | $ (591,778) |

The City's contributions subsequent to the measurement date of $395,953 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 |
|---|---|
| 2025 | $ (81,837) |
| 2026 | 37,335 |
| 2027 | (38,422) |
| 2028 | (38,765) |
| 2029 | - |
| Thereafter | - |
| | $ (121,689) |

**Basis of Calculations**

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

| | |
|---|---|
| Inflation | 2.50% |
| Payroll Growth Rate | 2.0% for CERS Non-hazardous |
| Salary Increases | 3.30% to 10.30%, varies by service for CERS Non-hazardous |
| Investment Rate of Return | 6.50% for CERS Non-hazardous |
| Mortality | System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. |

**Changes of Assumptions**

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

**Discount Rate**

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

| | |
|---|---|
| Actuarial Valuation Date | June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Amortization Method | Level Percent of Pay |
| 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% |
| Investment Rate of Return | 6.25% |
| Inflation | 2.30% |
| Salary Increases | 3.30% to 10.30%, varies by service for Non-Hazardous |
| Mortality | System specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. |
| Phase-in Provision | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018. |

**Plan Target Allocation**

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

| Asset Class | CERS Pensions Non-Hazardous Target Allocation | Long Term Expected Nominal Return |
|---|---|---|
| Public equity | 50.00% | 4.15% |
| Private equity | 10.00% | 9.10% |
| Core bonds | 10.00% | 2.85% |
| Specialty credit / high yield | 10.00% | 3.82% |
| Cash | 0.00% | 1.70% |
| Real estate | 7.00% | 4.90% |
| Real return | 13.00% | 5.35% |
| Expected Real Return | 100.00% | 4.69% |
| Long-Term Inflation Assumption | | 2.50% |
| Expected Nominal Return for Portfolio | | 7.19% |

**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:

| | Proportionate Share of Net Pension Liability | | |
|---|---|---|---|
| | 1% Decrease 5.50% | Current Rate 6.50% | 1% Increase 7.50% |
| Non-hazardous | $ 1,468,321 | $ 1,138,972 | $ 865,699 |
| Hazardous | 2,996,957 | 2,327,922 | 1,781,692 |
| Total | $ 4,465,278 | $ 3,466,894 | $ 2,647,391 |

## 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%<br>4-9 years service - 25%<br>10-14 years service - 50%<br>15-19 years service - 75%<br>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:

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

**Hazardous OPEB Plan Description**

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

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

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

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

**Contributions**

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is set by state statute.

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 2.12% of covered employees' compensation for the health insurance fund.

The City was not required to contribute for the non-hazardous plan OPEB obligation for the fiscal year.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of $15,741.

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, 2025, the City recognized an OPEB benefit of $206,109 in addition to its $15,741 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 $76,844 ($32,975 OPEB asset in the non-hazardous plan and $109,819 liability in the hazardous plan) as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.01906% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.09053% 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 | $ 18,294 | $ (259,450) | $ 29,738 | $ (401,962) | $ 48,032 | $ (661,412) |
| Net difference between projected actual earnings on plan investments | - | (30,092) | - | (69,009) | - | (99,101) |
| Changes of assump. | 29,880 | (23,267) | 74,489 | (96,648) | 104,369 | (119,915) |
| Changes in proportion, differences between contributions and proportionate share of contributions | 46,924 | (6,189) | 43,057 | (108,071) | 89,981 | (114,260) |
| Contributions subsequent to the measurement date | - | - | 15,741 | - | 15,741 | - |
| | $ 95,098 | $ (318,998) | $ 163,025 | $ (675,690) | $ 258,123 | $ (994,688) |

The City's contributions subsequent to the measurement date of $0 for non-hazardous duty employees and $15,741 for hazardous duty employees 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 will be recognized in OPEB expense as follows:

| Measurement Year Ending June 30, | Net Deferral |
|---|---|
| 2025 | $ (255,346) |
| 2026 | (200,634) |
| 2027 | (210,570) |
| 2028 | (97,397) |
| 2029 | 11,641 |
| Thereafter | - |
| | $ (752,306) |

**Basis of Calculations**

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

| | |
|---|---|
| Investment Rate of Return | 6.50% for CERS Non-hazardous |
| Inflation | 2.50% |
| Salary Increases | 3.30% to 10.30%, varies by service for CERS Non-hazardous |
| Payroll Growth Rate | 2.0% for CERS Non-hazardous |
| Mortality | System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. |
| 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. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| 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 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. |

**Change in Assumptions - Plan**

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

**Discount Rate**

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. 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 the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's fiduciary net position and future contributions were projected to be 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 retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. 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 actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

| | |
|---|---|
| Valuation Date | June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | 20% of the difference between the market value of assets CItand the expected actuarial value of assets is recognized |
| Amortization Method | Level Percent of Pay |
| 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% |
| Investment Rate of Return | 6.25% |
| Inflation | 2.30% |
| Salary Increases | 3.30% to 10.30%, varies by service for Non-hazardous |
| Mortality | 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. |
| Healthcare Trend Rates | |
| Pre - 65 | Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement. |
| Post - 65 | Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement. |

**Changes of Assumptions - Contributions**

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

### Plan Target Allocation

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

| Asset Class | CERS Pensions Non-Hazardous Target Allocation | Long Term Expected Nominal Return |
|---|---|---|
| Public equity | 50.00% | 4.15% |
| Private equity | 10.00% | 9.10% |
| Core bonds | 10.00% | 2.85% |
| Specialty credit /high yield | 10.00% | 3.82% |
| Cash | 0.00% | 1.70% |
| Real estate | 7.00% | 4.90% |
| Real return | 13.00% | 5.35% |
| Expected Real Return | 100.00% | 4.69% |
| Long-Term Inflation Assumption | | 2.50% |
| Expected Nominal Return for Portfolio | | 7.19% |

### 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 5.99% for the Non-hazardous plan and the 6.02% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Proportionate Share of Net OPEB Liability | | |
|---|---|---|---|
| | 1.00% Decrease | Current Rate | 1.00% Increase |
| Discount Rate, Non-Hazardous | 4.99% | 5.99% | 6.99% |
| Net OPEB liability, Non-Haz | $ 44,586 | $ (32,975) | $ (98,189) |
| Discount Rate, Hazardous | 5.02% | 6.02% | 7.02% |
| Net OPEB liability, Haz | $ 303,488 | $ 109,819 | $ (52,029) |
| Total | $ 348,074 | $ 76,844 | $ (150,218) |

### 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 | | |
|---|---|---|---|
| Healthcare cost trend rate | 1.00% Decrease | Current Rate | 1.00% Increase |
| Net OPEB liability, Non-hazardous | $ (79,334) | $ (32,975) | $ 21,030 |
| Net OPEB liability, Hazardous | (17,024) | 109,819 | 258,071 |
| Total | $ (96,358) | $ 76,844 | $ 279,101 |

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov .

## NOTE L – RIGHT OF USE ASSETS / LEASE LIABILITIES

*Vehicle Leases*

In November 2023, the City signed an operating lease for police and public works vehicles. As vehicle replacements are required, the City has been adding new operating leases instead of purchasing the vehicles. The leases are staggered based on need and are generally a 60 month term. There is no stated interest rate on the lease, so the City has opted to base the discount rate on the Federal Reserve Risk Free Rate at the date of the initial recording of the leases in the City's financial records, June 30, 2025. The Risk Free Rate at June 30, 2025 was 4.33%.

At June 30, 2024, the City had 3 leases consisting of $179,639 in ROU assets, and $21,469 in accumulated amortization for a net ROU asset of $157,870; the City also had a related ROU lease liability of $157,870 divided into current ($33,853) and long-term ($124,017) portions. These amount have been included as restatements of the 2024 balances on the Statement of Net Position in the Management's Discussion and Analysis.

During fiscal year 2025, the City added 5 vehicle leases consisting of $314,418 in ROU assets and related liabilities. These 60 month leases have maturities that a staggered through February 28, 2030.

The following summarizes the line items in the Statement of Net Position which include amounts for operating leases as of June 30:

| | 2025 |
|---|---|
| Right of use assets - operating leases | $ 494,057 |
| Right of use assets - accumulated amortization | (80,725) |
| | $ 413,332 |
| Current portion of operating lease liabilities | $ 94,025 |
| Long-term operating lease liabilities | 319,307 |
| Total operating lease liabilities | $ 413,332 |

The following is a schedule of furniture minimum lease payments required under these real estate leases:

| Year Ending June 30, | Future Minimum Lease Commitments |
|---|---|
| 2026 | $ 109,675 |
| 2027 | 109,675 |
| 2028 | 109,675 |
| 2029 | 83,090 |
| 2030 | 39,011 |
| Total Lease Payments | $ 451,126 |
| Less: Amount Representing Interest | (37,794) |
| Present Value of Lease Liabilities | $ 413,332 |

Additional information about the City's lease is as follows:

| | 2025 |
|---|---|
| **Lease costs - included in operating expenses** | |
| Operating lease costs included in funds | $ - |
| **Other information** | |
| Cash paid for amounts included in measuring operating lease liabilities | $ - |
| Lease assets obtained in exchange for lease obligations | $ 314,419 |
| Weighted average remaining lease term - years | 3.00 |
| Weighted average discount rate | 3.91% |

## NOTE M – CONTIGENT LIABILITIES

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

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

The City, due to its relationship with the Bellevue/Dayton Fire Department, has a probable liability in a future period that, at this time, cannot be estimated. This liability is a result of improper payment of incentive to the fire fighters. The fire department is directly affected by this action taken by the Department of Labor, while the City is affected indirectly based on its contractual relationship with the fire department. The City estimates its liability to range between $85,000 and $150,000 which is 50% of the fire department's estimated liability. The City includes in that range $6,600 for the payment to fire fighters that worked directly for the City before the department was formed. The City has also recorded a liability for its share of the pension liability recorded by the Bellevue/Dayton Fire Department based on the requirements of GASB 68. This liability is recorded on the Statement of Net Position and represents 50% of the Net Position of the fire department. The amount for June 30, 2025 is ($2,462,023).

**NOTE N – 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 2024-2025 was $1,285,688.

**NOTE O – 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.

<u>Grant Park</u>

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.

<u>Manhattan Harbour</u>

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 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:

| **PIDN** | **Name** | **Address (if applicable)** |
|---|---|---|
| *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) |
| 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 50% 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 P – 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 the remaining $57,494 of the funding in the fiscal year ending June 30, 2025.

**NOTE Q – OPIOID SETTLEMENT FUNDS**

The City has begun receiving National Opioid Settlements funds from opioid manufacturers, distributors, and retailers. The use of these funds is restricted by the settlement to specific purposes to fight the opioid epidemic. The total amount of settlement known to the City is $513,719, and $161,703 has been received as June 30, 2025; the remaining $352,016 has been recognized as a receivable. The entire $513,719 balance is being held as unearned revenue in the funds at June 30, 2025. The City will recognize these funds when appropriate uses, per the settlement agreement, have been established.

A prior period adjustment of $125,677 has been recorded on the Statement of Revenues, Expenditures, and Changes in Fund Balance to reduce the fund balance of the General Fund by the amount of opioid funds received prior to July 1, 2024 and to reclassify those funds as deferred revenue on the Balance Sheet. There is no deferral of these funds on the Statement of Net Position.

**NOTE R – PRIOR PERIOD ADJUSTMENT**

During the fiscal year, the City identified numerous accruals that had not been appropriately cleared from the accounting records. As a result, the fund balance of General Fund as well as the Net Position were overstated in prior periods.

A restatement of $31,661 was recorded to remove the accruals that should have been removed in prior years. This adjustment has been reported as a restatement of beginning net position in the government-wide Statement of Activities and the fund balance of the General Fund on the Statement of Revenue, Expenditures, and Changes in Fund Balance.

## NOTE S – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This implementation of this statement should have no direct material impact on the City.

## NOTE T – FUTURE ACCOUNTING STANDARDS

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

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in FY 2026

## NOTE U – SUBSEQUENT EVENTS

Management has evaluated events through May 31, 2026, the date on which the financial statements were available for issue. The City had no events subsequent to June 30, 2025 through May 1, 2026 to disclose.

**CITY OF DAYTON, KENTUCKY**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**For the Year Ended June 30, 2025**

| | Budget Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Budgetary fund balance, July 1** | $ 2,750,000 | $ 2,750,000 | $ 3,793,323 | $ 1,043,323 |
| **Revenues** | | | | |
| Taxes | 2,040,000 | 2,370,000 | 1,908,145 | (461,855) |
| Licenses and permits | 2,505,200 | 2,505,200 | 2,876,000 | 370,800 |
| Intergovernmental | 71,000 | 71,000 | 221,576 | 150,576 |
| Fines and penalties | 171,200 | 171,200 | 217,989 | 46,789 |
| Charges for services | 415,500 | 415,500 | 392,295 | (23,205) |
| Other | 622,750 | 622,750 | 192,537 | (430,213) |
| Grant restricted | 3,273,260 | 3,273,260 | 2,445 | (3,270,815) |
| Interest | 30,000 | 30,000 | 50,082 | 20,082 |
| Resources available for appropriation | 11,878,910 | 12,208,910 | 9,654,392 | (2,554,518) |
| **Appropriations** | | | | |
| General government | 753,950 | 883,950 | 871,070 | 12,880 |
| Police department | 1,476,400 | 1,626,400 | 1,621,337 | 5,063 |
| Fire department | 1,285,690 | 1,285,690 | 1,285,688 | 2 |
| Public works | 553,350 | 553,350 | 534,673 | 18,677 |
| Code enforcement | 148,650 | 148,650 | 140,805 | 7,845 |
| Waste collection | 232,000 | 252,000 | 246,379 | 5,621 |
| Professional services/grants/misc. | 212,250 | 242,250 | 194,556 | 47,694 |
| Capital outlay | 5,557,240 | 5,557,240 | 322,517 | 5,234,723 |
| Total appropriations | 10,219,530 | 10,549,530 | 5,217,025 | 5,332,505 |
| **Excess of resources over appropriations** | 1,659,380 | 1,659,380 | 4,437,367 | 2,777,987 |
| **Other financing sources (uses)** | | | | |
| Transfers in | - | - | 118,964 | 118,964 |
| Transfers out | - | - | (65,723) | (65,723) |
| Total other financing sources (uses) | - | - | 53,241 | 53,241 |
| **Budgetary fund balance, June 30** | $ 1,659,380 | $ 1,659,380 | $ 4,490,608 | $ 2,831,228 |

***Reconciliation of Budgetary Fund Balance to the Statement of Revenues, Expenditures & Changes in Fund Balance***

| | |
|---|---|
| Budgetary fund balance, June 30 | $ 4,490,608 |
| Prior period adjustment | (157,338) |
| Fund Balance per Statement of Revenues, Expenditures & Changes in Fund Balance | $ 4,333,270 |

**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, 2025

| | Budget Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Budgetary fund balance, July 1** | $ 800,000 | $ 800,000 | $ 848,821 | $ 48,821 |
| **Revenues** | | | | |
| Taxes | 1,100,000 | 1,100,000 | 1,264,716 | 164,716 |
| Intergovernmental | - | - | | - |
| Interest | 6,000 | 6,000 | 6,121 | 121 |
| **Resources available for appropriation** | 1,906,000 | 1,906,000 | 2,119,658 | 213,658 |
| **Appropriations** | | | | |
| TIF payments | 800,000 | 800,000 | 912,483 | (112,483) |
| Miscellaneous expenses | 300,000 | 300,000 | 133,916 | 166,084 |
| **Total appropriations** | 1,100,000 | 1,100,000 | 1,046,399 | 53,601 |
| **Excess (deficency) of resources over (under) appropriations** | 806,000 | 806,000 | 1,073,259 | 267,259 |
| **Other financing sources (uses)** | | | | |
| Transfers in (out) | - | - | (134,703) | (134,703) |
| **Budgetary fund balance, June 30** | $ 806,000 | $ 806,000 | $ 938,556 | $ 132,556 |

**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)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of net pension liability | 0.01905% | 0.01627% | 0.01536% | 0.01613% | 0.01577% | 0.01516% | 0.01471% | 0.01588% | 0.01476% | 0.01643% |
| Proportionate share of the net pension liability (asset) | $ 1,138,972 | $ 1,044,223 | $ 1,110,449 | $ 1,028,287 | $ 1,209,622 | $1,066,350 | $ 895,945 | $ 929,564 | $ 726,969 | $ 706,528 |
| Covered payroll in year of measurement | $ 649,400 | $ 486,171 | $ 424,219 | $ 428,151 | $ 413,207 | $ 348,909 | $ 355,727 | $ 386,652 | $ 365,427 | $ 387,623 |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 175.39% | 214.79% | 261.76% | 240.17% | 292.74% | 305.62% | 251.86% | 240.41% | 198.94% | 182.27% |
| Plan fiduciary net position as a percentage of total pension liability | 61.61% | 57.48% | 52.42% | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% |

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

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 125,020 | $ 151,570 | $ 113,764 | $ 89,807 | $ 82,633 | $ 94,774 | $ 62,034 | $ 51,509 | $ 53,938 | $ 45,386 |
| Actual contribution | 125,020 | 151,570 | 113,764 | 89,807 | 82,633 | 94,774 | 62,034 | 51,509 | 53,938 | 45,386 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Covered payroll | $ 634,297 | $ 649,400 | $ 486,171 | $ 424,219 | $ 428,151 | $ 413,207 | $ 348,909 | $ 355,727 | $ 386,652 | $ 365,427 |
| Contributions as a percentage of covered payroll | 19.71% | 23.34% | 23.40% | 21.17% | 19.30% | 22.94% | 17.78% | 14.48% | 13.95% | 12.42% |

### Notes to Required Supplementary Information
### for the Year Ended June 30, 2025

The net pension liability (asset) as of June 30, 2025, is based on the June 30, 2024, 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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of net pension liability | 0.09051% | 0.08502% | 0.09597% | 0.09332% | 0.11053% | 0.10847% | 0.09553% | 0.08147% | 0.07727% | 0.08476% |
| Proportionate share of the net pension liability (asset) | $ 2,327,922 | $ 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 |
| Covered payroll in year of measurement | $ 743,199 | $ 613,524 | $ 624,985 | $ 547,653 | $ 592,815 | $ 617,923 | $ 546,993 | $ 560,545 | $ 510,721 | $ - |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 313.23% | 373.58% | 468.55% | 453.62% | 562.14% | 484.89% | 422.35% | 325.16% | 259.62% | #DIV/0! |
| Plan fiduciary net position as a percentage of total pension liability | 57.05% | 52.96% | 47.11% | 52.26% | 44.11% | 46.63% | 49.26% | 49.80% | 53.95% | 57.52% |

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

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 270,933 | $ 305,529 | $ 262,650 | $ 211,620 | $ 164,625 | $ 178,200 | $ 153,616 | $ 121,432 | $ 121,321 | $ 103,472 |
| Actual contribution | 270,933 | 305,529 | 262,650 | 211,620 | 164,625 | 178,200 | 153,616 | 121,432 | 121,321 | 103,472 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Covered payroll | $ 742,487 | $ 743,199 | $ 613,524 | $ 624,985 | $ 547,653 | $ 592,815 | $ 617,923 | $ 546,993 | $ 560,545 | $ 510,721 |
| Contributions as a percentage of covered payroll | 36.49% | 41.11% | 42.81% | 33.86% | 30.06% | 30.06% | 24.86% | 22.20% | 21.64% | 20.26% |

**Notes to Required Supplementary Information**
**for the Year Ended June 30, 2025**

The net pension liability (asset) as of June 30, 2025, is based on the June 30, 2024, 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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of net OPEB liability (asset) | 0.01906% | 0.01627% | 0.01536% | 0.01612% | 0.01577% | 0.01516% | 0.01471% | 0.01588% | | |
| Proportionate share of the net OPEB liability (asset) | $ (32,975) | $ (22,468) | $ 303,092 | $ 308,686 | $ 380,701 | $ 254,951 | $ 261,173 | $ 319,262 | | |
| Covered payroll in year of measurement | $ 649,400 | $ 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 | -5.08% | -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 | 104.89% | 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)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $ 634,297 | $ 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% | 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, 2025**

The net OPEB liability (asset) as of June 30, 2025, is based on the June 30, 2024, 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)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of net OPEB liability | 0.09053% | 0.08496% | 0.09592% | 0.09332% | 0.11049% | 0.10845% | 0.09553% | 0.08147% | | |
| Proportionate share of the net OPEB liability (asset) | $ 109,819 | $ 116,245 | $ 817,024 | $ 754,523 | $1,021,081 | $ 802,363 | $ 681,090 | $ 673,465 | | |
| Covered payroll in year of measurement | $ 743,199 | $ 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 | 14.78% | 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 | 93.53% | 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)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 15,741 | $ 19,175 | $ 41,597 | $ 65,436 | $ 52,137 | $ 56,436 | $ 64,697 | $ 51,144 | $ 52,411 | |
| Actual contribution | 15,741 | 19,175 | 41,597 | 65,436 | 52,137 | 56,436 | 64,697 | 51,144 | 52,411 | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | |
| Covered payroll | $ 742,487 | $ 743,199 | $ 613,524 | $ 624,985 | $ 547,653 | $ 592,815 | $ 617,923 | $ 546,993 | $560,545 | |
| Contributions as a percentage of covered payroll | 2.12% | 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, 2025**

The net OPEB liability (asset) as of June 30, 2025, is based on the June 30, 2024, 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
## COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
## June 30, 2025

| | Park Board | Municipal Road Aid | Urban Renewal | Total Non-major Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 165,637 | $ 30,574 | $ 475,372 | $ 671,583 |
| Accounts receivable | 2,518 | - | 57,760 | 60,278 |
| Due from other funds | 45,739 | - | 1,500 | 47,239 |
| **Total assets** | $ 213,894 | $ 30,574 | $ 534,632 | $ 779,100 |
| **Liabilities and fund balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 12,060 | $ - | $ 3,477 | $ 15,537 |
| Due to other funds | 25,054 | 14,689 | - | 39,743 |
| Deferred revenue | 2,518 | - | 57,760 | 60,278 |
| **Total liabilities** | 39,632 | 14,689 | 61,237 | 115,558 |
| **Fund balances** | | | | |
| Restricted | - | 15,885 | 473,395 | 489,280 |
| Committed | 174,262 | - | - | 174,262 |
| **Total fund balances** | 174,262 | 15,885 | 473,395 | 663,542 |
| **Total liabilities and fund balances** | $ 213,894 | $ 30,574 | $ 534,632 | $ 779,100 |

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

**CITY OF DAYTON, KENTUCKY**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**
**For the Year Ended June 30, 2025**

| | Park Board | Municipal Road Aid | Urban Renewal | Total Non-major Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 179,874 | $ - | $ - | $ 179,874 |
| Intergovernmental | - | 132,034 | - | 132,034 |
| Fine and forfeitures | - | - | - | - |
| Other | 105,000 | - | 52,686 | 157,686 |
| Interest | 1,500 | 236 | 10,677 | 12,413 |
| **Total revenues** | 286,374 | 132,270 | 63,363 | 482,007 |
| **Expenditures** | | | | |
| Park expenses | 193,822 | - | - | 193,822 |
| Capital improvements | 160,510 | - | - | 160,510 |
| Public works | - | 81,265 | - | 81,265 |
| Urban redevelopment | - | - | 98,801 | 98,801 |
| Miscellaneous | 428 | - | - | 428 |
| **Total expenditures** | 354,760 | 81,265 | 98,801 | 534,826 |
| **Excess (deficit) of revenues over (under) expenditures** | (68,386) | 51,005 | (35,438) | (52,819) |
| **Other financing sources (uses)** | | | | |
| Transfers in (out) | 45,739 | (30,000) | 65,723 | 81,462 |
| Total other financing sources (uses) | 45,739 | (30,000) | 65,723 | 81,462 |
| **Change in fund balances** | (22,647) | 21,005 | 30,285 | 28,643 |
| **Fund balance - beginning of year** | 196,909 | (5,120) | 443,110 | 634,899 |
| **Fund balance - end of year** | $ 174,262 | $ 15,885 | $ 473,395 | $ 663,542 |

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, 2025**

| | Budget Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Budgetary fund balance, July 1** | $ 235,000 | $ 235,000 | $ 196,909 | $ (38,091) |
| **Revenues** | | | | |
| Intergovernmental | 140,000 | 140,000 | 179,874 | 39,874 |
| Interest | 1,000 | 1,000 | 1,500 | 500 |
| Other | 72,400 | 72,400 | 105,000 | 32,600 |
| **Resources available for appropriation** | 448,400 | 448,400 | 483,283 | 34,883 |
| **Appropriations** | | | | |
| Park expense | 302,500 | 302,500 | 193,822 | 108,678 |
| Capital improvements | 98,000 | 98,000 | 160,510 | (62,510) |
| Miscellaneous expenses | - | - | 428 | (428) |
| **Total appropriations** | 400,500 | 400,500 | 354,760 | 45,740 |
| **Excess (deficiency) of resources over (under) appropriations** | 47,900 | 47,900 | 128,523 | 80,623 |
| **Other financing sources (uses)** | | | | |
| Transfers in (out) | - | - | 45,739 | 45,739 |
| **Budgetary fund balance, June 30** | $ 47,900 | $ 47,900 | $ 174,262 | $ 126,362 |

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, 2025**

| | Budget Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Budgetary fund balance, July 1** | $ - | $ - | $ (5,120) | $ (5,120) |
| **Revenues** | | | | |
| Intergovernmental | 118,000 | 118,000 | 132,034 | 14,034 |
| Interest | 500 | 500 | 236 | (264) |
| Other | - | - | | - |
| Resources available for appropriation | 118,500 | 118,500 | 127,150 | 8,650 |
| **Appropriations** | | | | |
| Public works | 108,500 | 113,500 | 81,265 | 32,235 |
| Total appropriations | 108,500 | 113,500 | 81,265 | 32,235 |
| **Excess of resources over appropriations** | 10,000 | 5,000 | 45,885 | 40,885 |
| **Other financing sources (uses)** | | | | |
| Transfers in (out) | - | - | (30,000) | (30,000) |
| **Budgetary fund balance, June 30** | $ 10,000 | $ 5,000 | $ 15,885 | $ 10,885 |

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, 2025

| | Budget Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Budgetary fund balance, July 1** | $ 450,000 | $ 450,000 | $ 443,110 | $ (6,890) |
| **Revenues** | | | | |
| Interest | 1,000 | 10,000 | 10,677 | 677 |
| Other | - | 14,000 | 52,686 | 38,686 |
| Resources available for appropriation | 451,000 | 474,000 | 506,473 | 32,473 |
| **Appropriations** | | | | |
| Urban redevelopment | 50,000 | 120,000 | 98,801 | 21,199 |
| Capital outlay | - | - | - | - |
| Other | - | - | - | - |
| Total appropriations | 50,000 | 120,000 | 98,801 | 21,199 |
| **Excess of resources over appropriations** | 401,000 | 354,000 | 407,672 | 53,672 |
| **Other financing sources (uses)** | | | | |
| Transfers in (out) | - | - | 65,723 | 65,723 |
| **Budgetary fund balance, June 30** | $ 401,000 | $ 354,000 | $ 473,395 | $ 119,395 |

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

Chamberlin Owen
Certified Public Accountants

**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, 2025 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 31, 2026.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Dayton, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dayton, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dayton, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*



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Chamberlin Owen
Certified Public Accountants

**Finding No. 2025-01 – Financial Statements Audit Not Completed Timely**

***Criteria:*** Kentucky Revised Statute 91A.040, paragraph (1) states "*each city shall, after the close of each fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall be completed by March 1 immediately following the fiscal year being audited*." The City is required by KRS statute to complete its annual audit by March 1 or each year.

***Condition:*** For the fiscal year 2024-2025, the City's consultant accountant provided the majority of the City's adjusted financial information to the auditor on or about May 15, 2026. The audit could not progress without this adjusted financial information.

***Cause:*** The City's consultant accountant failed to timely close the City's books and provide adjusted financial information.

***Effect:*** The City's audit was delayed past the March 1, 2026 deadline for submission to the Kentucky Department for Local Government. This is a violation of KRS 91A.040

***Recommendation:*** We recommend that the City review its relationship with the consultant account and set clear expectations for delivery dates for the adjusted financial information.

**<u>Purpose of this Report</u>**

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 31, 2026