

Dayton Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2016
With Independent Auditors' Report**

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2016

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DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2016

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Independent Auditors' Report

To the Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Dayton Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension liability and contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dayton Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 November 14, 2016 on our consideration of the Dayton Independent School District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dayton Independent School District's internal control over financial reporting and compliance.



DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2016

As management of the Dayton Independent Board of Education (Board), the governing body for the Dayton Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- Mandated 2% raises were given to all personnel as well as Rank and Step increases. The board also gave additional 1% for the classified staff and additional \$500 to each of the steps in 0-3 years' experience range for the certified staff. SEEK funds were increased from \$3,911 to \$3,981 per ADA. This funding will cover about one-half cost of the 2% mandates.
- The board approved the 4% increase in revenues for property taxes for 2016. Our assessment was increased by \$14 million this year, which allowed the board to reduce the real estate rate from 108.1 to 106.4. The increased assessment was due to Riverfront development and properties at the Grant Park subdivision
- KTRS (KY Teachers retirement) medical match increased from 2.25% to 3%.
- CERS (classified retirement) board match decreased from 17.67% to 17.06%.
- ADA ended the year at 791.81. ADA continues to fluctuate up and down from year to year, as it had ended at 817.29 in the previous year.
- The Board became agent of record for the Regional Schools Program through Northern Kentucky Cooperative for Educational Services, Inc. (NKCES). The District receives ADA to forward to NKCES. There is a signed contract in place with NKCES.
- The Board approved an amended superintendent contract to include reimbursement for KTRS contributions.
- The Board approved the following positions for Dayton High School: Media Clerk, Business Teacher
- The Board approved the following new positions for Lincoln Elementary: One Primary Teacher; Part time preschool teacher and aide paid through preschool funds.
- In April 2016, the Board approved hiring a district wide Computer Maintenance Tech position.
- The Board was approved to use \$60,023 in Capital Outlay funds for HVAC contracts, property insurance, and funds toward cost of the DHS outdoor lighting cost.
- Dayton High School was awarded a Summer Learning Grant for Novice Reduction through the Title I program in the amount of \$32,400 for Dayton High and Dayton Middle School.
- The board held a transportation forum and voted to reduce the transportation school bus routes in the morning and afternoon services for regular transportation by 2 bus routes. Special Education will still have transportation. This will begin in the 2016-17 school year.

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2016 (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- The Board matched the KETS funding offers (3) total for the year at \$24/ADA.
- The Board started an investment cycle with board funds. The board invested \$425,000 throughout the year in CD's. As of June 30, 2016, a total of \$350,000 is invested.
- There were some major maintenance repairs made during the 15-16 year. Network cabling at all locations was approximately \$63,200 and it was partially funded with Erate funds. The main water line at Lincoln Elementary was repaired for \$13,000. And the HVAC main control at Dayton High School was replaced.
- The board will be bidding out for Dayton High School Renovations and Additions to update the school entrance, restrooms, office, band and media center/cafeteria. The funds to pay for this will be from bonds.
- The General fund supported the fund by \$212 at the end of the year. The Daycare fund still has a net position value due to capital assets associated to the fund.
- Food Service will be purchasing Combi Ovens (using grant funds) and new Cafeteria Tables for the schools. Food Service department worked with the "Cook for America" program during July 2015 with the goal to improve the quality and nutritional value in the meals we serve
- The ending balance of \$1.3 million will carryover from the general funds for the 2016-17 school year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2016 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 41 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,343,066 as of June 30, 2016.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District'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 District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

DAYTON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016
(Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2016 and 2015

The following is a summary of net position for the fiscal years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Current assets	\$ 1,733,784	\$ 1,448,220
Noncurrent assets	<u>6,312,068</u>	<u>6,698,059</u>
Total assets	<u>8,045,852</u>	<u>8,146,279</u>
Total deferred outflows	<u>482,765</u>	<u>185,267</u>
Current liabilities	528,667	527,531
Noncurrent liabilities	<u>6,610,484</u>	<u>6,340,994</u>
Total liabilities	<u>7,139,151</u>	<u>6,868,525</u>
Total deferred inflows	<u>46,400</u>	<u>-</u>
Net position		
Investment in capital assets (net of debt)	1,551,507	1,615,182
Assigned	-	5,837
Restricted	215,759	226,107
Unassigned	<u>(424,200)</u>	<u>(384,105)</u>
Total net position	<u><u>\$ 1,343,066</u></u>	<u><u>\$ 1,463,021</u></u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2016, were \$7,801,326, net of inter-fund transfers, of \$100,954.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$275,599 more than budget or approximately 4% increase.
- General Fund actual expenditures were \$7,636,404, net of inter-fund transfers of \$19,615.
- General Fund actual expenditures were less than budgeted expenditures by \$1,038,842.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 86,334	\$ 110,727
Operating grants	2,391,850	3,037,898
Capital grants	428,867	441,960
Total grant revenues	<u>2,907,051</u>	<u>3,590,585</u>
General Revenues		
Taxes	2,048,165	1,986,170
Grants and entitlements	6,878,843	6,525,849
Earnings on investments	8,192	3,646
Miscellaneous	374,613	256,452
Total general revenues	<u>9,309,813</u>	<u>8,772,117</u>
Total revenues	<u>12,216,864</u>	<u>12,362,702</u>
Expenses		
Instructional	7,459,386	6,542,157
Student support services	711,877	751,308
Instructional support	402,182	450,458
District administration	507,483	455,931
School administration	650,445	583,896
Business support	461,038	349,563
Plant operations	876,198	821,808
Student transportation	161,304	181,157
Community service activities	132,514	137,240
Facilities acquisition and construction	-	1,788
Other	4,274	3,367
Debt services	160,553	185,751
Food service	754,024	1,001,045
Daycare service	55,541	86,849
Total expenses	<u>12,336,819</u>	<u>11,552,318</u>
Change in net position	<u>\$ (119,955)</u>	<u>\$ 810,384</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2016 (Continued)

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$868,595 in contingency (10%). The cash balance for the beginning of the fiscal year was \$1,209,014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Jay Brewer, Superintendent or to his representative Ms. Trish Gosney, Finance Officer (859) 491-6565 or by mail to: Central Office, 200 Clay Street, Dayton, KY 41074.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 950,237	\$ 205,176	\$ 1,155,413
Accounts receivable	206,221	12,178	218,399
Investments	350,000	-	350,000
Inventories for consumption	-	9,972	9,972
Total current	<u>1,506,458</u>	<u>227,326</u>	<u>1,733,784</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	160,725	-	160,725
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	11,495,510	165,279	11,660,789
Furniture and equipment	1,724,974	231,054	1,956,028
Less: accumulated depreciation	<u>(7,279,659)</u>	<u>(285,572)</u>	<u>(7,565,231)</u>
Total noncurrent	<u>6,201,307</u>	<u>110,761</u>	<u>6,312,068</u>
Total assets	<u>7,707,765</u>	<u>338,087</u>	<u>8,045,852</u>
Deferred outflows	<u>462,132</u>	<u>20,633</u>	<u>482,765</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	316,685	-	316,685
Accounts payable	112,117	294	112,411
Accrued interest	39,215	-	39,215
Current portion of accrued sick leave	15,819	-	15,819
Accrued payroll and related expenses	25,205	-	25,205
Assessed KISBIT liability	19,332	-	19,332
Total current	<u>528,373</u>	<u>294</u>	<u>528,667</u>
Noncurrent:			
Accrued sick leave	142,370	-	142,370
CERS net pension liability	1,937,722	86,516	2,024,238
Bond obligations	4,443,876	-	4,443,876
Total noncurrent	<u>6,523,968</u>	<u>86,516</u>	<u>6,610,484</u>
Total liabilities	<u>7,052,341</u>	<u>86,810</u>	<u>7,139,151</u>
Deferred inflows	<u>44,417</u>	<u>1,983</u>	<u>46,400</u>
Net Position			
Invested in capital assets, net of related debt	1,440,746	110,761	1,551,507
Restricted	56,593	159,166	215,759
Unrestricted	<u>(424,200)</u>	<u>-</u>	<u>(424,200)</u>
Total net position	<u>\$ 1,073,139</u>	<u>\$ 269,927</u>	<u>\$ 1,343,066</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 7,459,386	\$ -	\$ 1,306,275	\$ -	\$ (6,153,111)	\$ -	\$ (6,153,111)
Student support services	711,877	-	111,444	-	(600,433)	-	(600,433)
Staff support services	402,182	-	67,590	-	(334,592)	-	(334,592)
District administration	507,483	-	-	-	(507,483)	-	(507,483)
School administration	650,445	-	183	-	(650,262)	-	(650,262)
Business support services	461,038	-	46,428	-	(414,610)	-	(414,610)
Plant operation and maintenance	876,198	-	13,924	-	(862,274)	-	(862,274)
Student transportation	161,304	-	12,877	-	(148,427)	-	(148,427)
Food Service	4,274	-	-	-	(4,274)	-	(4,274)
Community service operations	132,514	-	123,376	-	(9,138)	-	(9,138)
Facility acquisition and construction	-	-	-	428,867	428,867	-	428,867
Interest on long-term debt	160,553	-	-	-	(160,553)	-	(160,553)
Total governmental activities	11,527,254	-	1,682,097	428,867	(9,416,290)	-	(9,416,290)
Business-type activities							
Food service	754,024	47,069	702,034	-	-	(4,921)	(4,921)
Daycare	55,541	39,265	7,719	-	-	(8,557)	(8,557)
Total business-type activities	809,565	86,334	709,753	-	-	(13,478)	(13,478)
Total school district	\$ 12,336,819	\$ 86,334	\$ 2,391,850	\$ 428,867	(9,416,290)	(13,478)	(9,429,768)
General revenues:							
Taxes					2,048,165	-	2,048,165
State and federal sources					6,878,843	-	6,878,843
Investment earnings					7,307	885	8,192
Miscellaneous					353,767	36	353,803
Special items:							
Gain on sale of assets					19,610	1,200	20,810
Fund transfer					38,955	(38,955)	-
Total general and special revenues					9,346,647	(36,834)	9,309,813
Change in net position					(69,643)	(50,312)	(119,955)
Net position - beginning					1,142,782	320,239	1,463,021
Net position - ending					\$ 1,073,139	\$ 269,927	\$ 1,343,066

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 972,926	\$ (76,214)	\$ 53,525	\$ 950,237
Investments	350,000	-	-	350,000
Accounts receivable	<u>34,714</u>	<u>168,439</u>	<u>3,068</u>	<u>206,221</u>
Total current	<u><u>\$ 1,357,640</u></u>	<u><u>\$ 92,225</u></u>	<u><u>\$ 56,593</u></u>	<u><u>\$ 1,506,458</u></u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ 19,892	\$ 92,225	\$ -	\$ 112,117
Accrued payroll and related expenses	25,205	-	-	25,205
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current	<u>45,097</u>	<u>92,225</u>	<u>-</u>	<u>137,322</u>
Fund Balances				
Restricted:				
Capital projects	-	-	56,593	56,593
Unassigned	<u>1,312,543</u>	<u>-</u>	<u>-</u>	<u>1,312,543</u>
Total fund balances	<u>1,312,543</u>	<u>-</u>	<u>56,593</u>	<u>1,369,136</u>
Total liabilities and fund balances	<u><u>\$ 1,357,640</u></u>	<u><u>\$ 92,225</u></u>	<u><u>\$ 56,593</u></u>	<u><u>\$ 1,506,458</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2016**

Total governmental fund balance		\$ 1,369,136
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process		
Cost of capital assets	13,480,966	
Accumulated depreciation	<u>(7,279,659)</u>	6,201,307
Deferred outflows		
CERS contributions made after the measurement date	173,195	
Related to pensions	<u>288,937</u>	462,132
Deferred inflows related to pensions		(44,417)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	(4,760,561)	
Accrued interest on bonds	(39,215)	
Assessed KISBIT liability	(19,332)	
Net pension liability	(1,937,722)	
Accrued sick leave	<u>(158,189)</u>	(6,915,019)
Net position for governmental activities		<u>\$ 1,073,139</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,947,561	\$ -	\$ 100,604	\$ 2,048,165
Earnings on investments	7,307	-	-	7,307
State sources	5,742,819	556,809	428,867	6,728,495
Federal sources	25,193	1,076,390	-	1,101,583
Other sources	58,841	48,898	14,601	122,340
	<u>7,781,721</u>	<u>1,682,097</u>	<u>544,072</u>	<u>10,007,890</u>
Total revenues				
	<u>7,781,721</u>	<u>1,682,097</u>	<u>544,072</u>	<u>10,007,890</u>
Expenditures				
Instructional	4,266,681	1,323,914	10,459	5,601,054
Student support services	564,296	111,444	-	675,740
Staff support services	333,173	67,590	-	400,763
District administration	505,791	-	-	505,791
School administration	649,824	183	-	650,007
Business support services	414,200	46,428	-	460,628
Plant operation and maintenance	723,253	13,924	578	737,755
Student transportation	128,435	12,877	-	141,312
Food service operation	4,274	-	-	4,274
Community service operations	9,138	123,376	-	132,514
Debt service:				
Principal	37,339	-	278,396	315,735
Interest	-	-	170,039	170,039
	<u>7,636,404</u>	<u>1,699,736</u>	<u>459,472</u>	<u>9,795,612</u>
Total expenditures				
	<u>7,636,404</u>	<u>1,699,736</u>	<u>459,472</u>	<u>9,795,612</u>
Excess (deficit) of revenues over expenditures	<u>145,317</u>	<u>(17,639)</u>	<u>84,600</u>	<u>212,278</u>
Other financing sources (uses)				
Loan and bond proceeds	-	-	-	-
Proceeds from sale of assets	19,610	-	-	19,610
Operating transfers in	100,954	19,615	317,204	437,773
Operating transfers out	(19,615)	(1,976)	(377,227)	(398,818)
	<u>100,949</u>	<u>17,639</u>	<u>(60,023)</u>	<u>58,565</u>
Total other financing sources (uses)				
	<u>100,949</u>	<u>17,639</u>	<u>(60,023)</u>	<u>58,565</u>
Net change in fund balance	246,266	-	24,577	270,843
Fund balance, July 1, 2015	<u>1,066,277</u>	<u>-</u>	<u>32,016</u>	<u>1,098,293</u>
Fund balance, June 30, 2016	<u>\$ 1,312,543</u>	<u>\$ -</u>	<u>\$ 56,593</u>	<u>\$ 1,369,136</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
As of June 30, 2016**

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

Net changes-governmental funds		\$ 270,843
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	(374,638)	
Capital outlays	6,867	
Retirement of capital assets	<u>(2,833)</u>	
		(370,604)
Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond principal paid	<u>315,735</u>	
		315,735
Deferred outflows related to pensions		283,158
Deferred inflows related to pensions		(44,417)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
		<u>(524,358)</u>
Changes in net position of governmental activities		<u><u>\$ (69,643)</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2016**

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 206,412	\$ (1,236)	\$ 205,176
Accounts receivable	10,942	1,236	12,178
Inventories for consumption	<u>9,972</u>	<u>-</u>	<u>9,972</u>
Total current	<u>227,326</u>	<u>-</u>	<u>227,326</u>
Noncurrent			
Buildings and Improvements	117,379	47,900	165,279
Furniture and Fixtures	231,054	-	231,054
Less: accumulated depreciation	<u>(241,996)</u>	<u>(43,576)</u>	<u>(285,572)</u>
Total noncurrent	<u>106,437</u>	<u>4,324</u>	<u>110,761</u>
Total assets	<u>333,763</u>	<u>4,324</u>	<u>338,087</u>
Deferred outflows	<u>20,633</u>	<u>-</u>	<u>20,633</u>
Liabilities and Net Position			
Liabilities			
Current			
Accounts payable	<u>294</u>	<u>-</u>	<u>294</u>
Total current	<u>294</u>	<u>-</u>	<u>294</u>
Noncurrent			
CERS net pension liability	<u>86,516</u>	<u>-</u>	<u>86,516</u>
Total noncurrent	<u>86,516</u>	<u>-</u>	<u>86,516</u>
Total liabilities	<u>86,810</u>	<u>-</u>	<u>86,810</u>
Deferred inflows	<u>1,983</u>	<u>-</u>	<u>1,983</u>
Net Position			
Invested in assets, net of debt	106,437	4,324	110,761
Restricted - net position	<u>159,166</u>	<u>-</u>	<u>159,166</u>
Total net position	<u>\$ 265,603</u>	<u>\$ 4,324</u>	<u>\$ 269,927</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2016**

	Food Service	Daycare Fund	Total
Operating revenues			
Lunchroom sales	\$ 47,069	\$ -	\$ 47,069
Other operating revenues	36	39,265	39,301
Total operating revenues	<u>47,105</u>	<u>39,265</u>	<u>86,370</u>
Operating expenses			
Salaries and benefits	374,899	-	374,899
Contract services	35,987	52,466	88,453
Materials and supplies	328,998	2,117	331,115
Depreciation	12,346	958	13,304
Other operating expenses	1,794	-	1,794
Total operating expenses	<u>754,024</u>	<u>55,541</u>	<u>809,565</u>
Operating loss	<u>(706,919)</u>	<u>(16,276)</u>	<u>(723,195)</u>
Nonoperating revenues (expenses)			
Federal grants	610,315	-	610,315
State grants	58,823	7,719	66,542
Donated commodities and other donations	32,896	-	32,896
Transfers	(38,955)	-	(38,955)
Gain on sale of equipment	1,200	-	1,200
Interest income	885	-	885
Total nonoperating revenues	<u>665,164</u>	<u>7,719</u>	<u>672,883</u>
Net income (loss)	(41,755)	(8,557)	(50,312)
Total net position, July 1, 2015	<u>307,358</u>	<u>12,881</u>	<u>320,239</u>
Total net position, June 30, 2016	<u>\$ 265,603</u>	<u>\$ 4,324</u>	<u>\$ 269,927</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2016**

	Food Service Fund	Daycare Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 47,069	\$ -	\$ 47,069
Cash received from other activities	(1,885)	39,265	37,380
Cash payments to employees for services	(349,958)	-	(349,958)
Cash payments to suppliers for goods and services	(366,789)	(55,820)	(422,609)
Cash transfers	(38,955)	-	(38,955)
Net cash used in operating activities	<u>(710,518)</u>	<u>(16,555)</u>	<u>(727,073)</u>
Cash flows from capital financing activities			
Proceeds of sales of capital assets	3,288	-	3,288
Purchase of capital assets	-	-	-
Net cash used in capital financing activities	<u>3,288</u>	<u>-</u>	<u>3,288</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>702,032</u>	<u>7,719</u>	<u>709,751</u>
Net cash provided by noncapital financing activities	<u>702,032</u>	<u>7,719</u>	<u>709,751</u>
Cash flows from investing activities			
Interest on investments	<u>885</u>	<u>-</u>	<u>885</u>
Net cash flows provided by investing activities	<u>885</u>	<u>-</u>	<u>885</u>
Net decrease in cash and cash equivalents	(4,313)	(8,836)	(13,149)
Cash and cash equivalents - beginning	<u>210,726</u>	<u>7,600</u>	<u>218,326</u>
Cash (overdraft) and cash equivalents - ending	<u>\$ 206,413</u>	<u>\$ (1,236)</u>	<u>\$ 205,177</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (706,919)	\$ (16,276)	\$ (723,195)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	12,346	958	13,304
Transfers	(38,955)	-	(38,955)
Changes in assets and liabilities:			
Increase in deferred outflows	(14,340)	-	(14,340)
Increase in deferred inflows	1,983	-	1,983
Increase in CERS net pension liability	37,298	-	37,298
Decrease in accounts payable	(10)	-	(10)
Increase in accounts receivable	(1,921)	(1,237)	(3,158)
Net cash used in operating activities	<u>\$ (710,518)</u>	<u>\$ (16,555)</u>	<u>\$ (727,073)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 32,896</u>	<u>\$ -</u>	<u>\$ 32,896</u>
On-behalf payments	<u>\$ 49,845</u>	<u>\$ -</u>	<u>\$ 49,845</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2016**

	<u>School Activity Funds</u>	<u>Total</u>
Assets		
Cash and cash equivalents	<u>\$ 115,858</u>	<u>\$ 115,858</u>
Total assets	<u>115,858</u>	<u>115,858</u>
Liabilities		
Due to student groups	<u>115,858</u>	<u>115,858</u>
Total liabilities	<u>\$ 115,858</u>	<u>\$ 115,858</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Dayton Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Dayton Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Dayton Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Dayton Independent School District Finance Corporation - The Board authorized the establishment of the Dayton Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Dayton Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide 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 reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District'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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 54. This is a major fund of the District.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
- 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The Day Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial 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 Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Land	\$ 160,725	\$ -	\$ -	\$ 160,725
Land improvements	99,757	-	-	99,757
Buildings and improvements	11,495,510	-	-	11,495,510
Technology equipment	1,331,399	667	284,282	1,047,784
Vehicles	457,252	-	-	457,252
General equipment	245,179	6,200	31,441	219,938
Construction work in progress	-	-	-	-
	<u>13,789,822</u>	<u>6,867</u>	<u>315,723</u>	<u>13,480,966</u>
Totals at historical cost				
Less: accumulated depreciation				
Land improvements	76,079	2,368	-	78,447
Buildings and improvements	5,462,776	283,618	-	5,746,394
Technology equipment	1,111,393	58,969	284,116	886,246
Vehicles	380,639	19,975	-	400,614
General equipment	187,024	9,708	28,774	167,958
	<u>7,217,911</u>	<u>374,638</u>	<u>312,890</u>	<u>7,279,659</u>
Total accumulated depreciation				
Governmental activities capital assets - net	<u>\$ 6,571,911</u>	<u>\$ (367,771)</u>	<u>\$ 2,833</u>	<u>\$ 6,201,307</u>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Vehicles	4,000	-	-	4,000
Technology equipment	10,667	-	445	10,222
General equipment	219,609	-	2,777	216,832
	<u>399,555</u>	<u>-</u>	<u>3,222</u>	<u>396,333</u>
Totals at historical cost				
Less: accumulated depreciation				
Buildings and improvements	118,928	3,306	-	122,234
Vehicles	3,533	467	-	4,000
Technology equipment	10,667	-	445	10,222
General equipment	140,279	9,531	694	149,116
	<u>273,407</u>	<u>13,304</u>	<u>1,139</u>	<u>285,572</u>
Total accumulated depreciation				
Business - type activities capital assets - net	<u>\$ 126,148</u>	<u>\$ (13,304)</u>	<u>\$ 2,083</u>	<u>\$ 110,761</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2016 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 166,440	\$ -
Student support services	36,137	-
Staff support services	1,419	-
District administration	1,692	-
School administration	438	-
Business support services	410	-
Plant operation and maintenance	148,110	-
Student transportation	19,992	-
Food service	-	12,346
Daycare	-	958
	<hr/>	<hr/>
Total	\$ 374,638	\$ 13,304
	<hr/>	<hr/>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2016 this amount totaled approximately \$158,189 for those employees with twenty-seven or more years of experience.

NOTE 6 BONDED DEBT

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
June 2006	\$ 78,725	3.300% - 4.000%
January 2008	90,989	3.300% - 3.750%
February 2009	1,290,000	3.000% - 3.500%
June 2009	1,990,000	2.800% - 4.400%
December 2009	187,514	2.000% - 3.250%
January 2011	83,893	1.300% - 4.000%
June 2011	950,000	3.000% - 4.375%
May 2013	1,735,000	1.250% - 3.000%

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 6 BONDED DEBT (CONTINUED)

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Dayton Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2016 for debt service (principal and interest) are reported in Note 15.

NOTE 7 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE 8 INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT OPERATING/FUND BALANCES

There are no funds of the District's that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Day Care	\$	8,557
Lincoln Elementary	\$	519
Food Service	\$	38,057

NOTE 11 COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE 12 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust (KISBIT) in which the District purchases general liability and workers' compensation insurance. As of June 30, 2016, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$19,332. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 13 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 19,615
Special Revenue Fund	General Fund	Indirect Cost Transfer	\$ 1,976
Capital Outlay Fund	Debt Service Fund	Debt Service	\$ 13,859
Capital Outlay Fund	General Fund	Operating	\$ 60,023
Building Fund	Debt Service Fund	Debt Service	\$ 303,345
Food Service Fund	General Fund	Indirect Cost Transfer	\$ 38,955

NOTE 14 ON-BEHALF PAYMENTS

For the year ended June 30, 2016 total payments of \$1,657,608 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 1,470,005
Debt Service	131,231
Day Care	6,527
Food Service	<u>49,845</u>
Total On-Behalf	<u><u>\$ 1,657,608</u></u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 15 SCHEDULE OF LONG-TERM OBLIGATIONS

Fiscal Year	Dayton Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2016-2017	\$ 206,977	\$ 130,483	\$ 337,460	\$ 109,708	\$ 30,014	\$ 139,722	\$ 477,182
2017-2018	215,076	123,856	338,932	113,161	26,625	139,786	478,717
2018-2019	208,892	116,835	325,727	116,353	23,055	139,408	465,135
2019-2020	215,554	109,881	325,435	42,014	19,376	61,390	386,825
2020-2021	224,499	103,385	327,884	43,327	18,063	61,390	389,274
2021-2022	220,313	96,646	316,959	44,687	16,702	61,389	378,348
2022-2023	228,902	89,956	318,858	46,098	15,291	61,389	380,248
2023-2024	237,440	83,081	320,521	47,560	13,829	61,389	381,910
2024-2025	245,751	74,910	320,661	49,249	12,140	61,389	382,050
2025-2026	253,998	66,393	320,391	51,002	10,387	61,389	381,780
2026-2027	262,069	57,128	319,197	52,931	8,457	61,388	380,585
2027-2028	270,061	47,524	317,585	54,939	6,451	61,390	378,975
2028-2029	282,898	37,057	319,955	57,102	4,287	61,389	381,344
2029-2030	233,788	26,103	259,891	16,212	2,035	18,247	278,138
2030-2031	238,301	17,920	256,221	16,699	1,548	18,247	274,469
2031-2032	157,801	9,603	167,404	17,199	1,047	18,246	185,650
2032-2033	162,285	4,869	167,154	17,715	531	18,246	185,400
	<u>\$ 3,864,605</u>	<u>\$ 1,195,629</u>	<u>\$ 5,060,234</u>	<u>\$ 895,956</u>	<u>\$ 209,838</u>	<u>\$ 1,105,794</u>	<u>\$ 6,166,029</u>

A summary of the changes in the principal of the outstanding bond obligations for the District during the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
Governmental Activities				
Bond Obligations	<u>\$ 5,076,296</u>	<u>\$ -</u>	<u>\$ 315,735</u>	<u>\$ 4,760,561</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 16 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' 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
	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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2016, was \$238,533, which consisted of \$180,927 from the District and \$57,605 from the employees. Total contributions for the year ended June 30, 2015 and 2014 were \$241,782 and \$258,187, respectively. The contributions have been contributed in full for fiscal years 2016, 2015 and 2014.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 15.865% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 13.650% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2016, was \$804,964, which consisted of \$209,888 from the District and \$595,076 from the employees. Total contributions for the year ended June 30, 2015 and 2014 were \$743,444 and \$660,638, respectively. The contributions have been contributed in full for fiscal years 2016, 2015 and 2014.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy

In order to fund the post-retirement healthcare benefit, 6.44% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.31% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 2,024,238
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>30,776,138</u>
	<u><u>\$ 32,800,376</u></u>

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was 0.047081% percent.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of \$140,566 related to CERS and \$1,747,321 related to KTRS. The District also recognized revenue of \$1,747,321 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,822	\$ -
Net difference between projected and actual earnings on pension plan investments	18,146	46,400
Changes of Assumptions	204,122	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	62,748	-
District contributions subsequent to the measurement date	<u>180,927</u>	<u>-</u>
Total	<u><u>\$ 482,765</u></u>	<u><u>\$ 46,400</u></u>

\$482,765 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ 48,768
2018	48,768
2019	48,768
2020	48,768
2021	60,368

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.50%	7.50%

For CERS, mortality rates used for active members was RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	45%	6.40%	-	-
Non-US equity	17%	6.50%	-	-
Private equity	-	-	10%	8.50%
Combined Equity	-	-	44%	5.40%
Combined Fixed Income	-	-	19%	1.50%
Real Return	-	-	10%	3.50%
Absolute Return	-	-	10%	4.25%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	4.50%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	2%	-0.25%
Total	100%		100%	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2039 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2038 and a municipal bond index rate of 3.82% was applied to all periods of projected benefit payments after 2038. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	2,584,191	2,024,238	1,544,688
KTRS	3.88%	4.88%	5.88%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE 17 SUBSEQUENT EVENTS

Subsequent events were considered through November 14, 2016, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

DAYTON INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2016**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ 10,083	\$ 10,930	\$ 1,338	\$ -	\$ 31,174	\$ 53,525
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,068</u>	<u>3,068</u>
Total current	<u><u>\$ 10,083</u></u>	<u><u>\$ 10,930</u></u>	<u><u>\$ 1,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,242</u></u>	<u><u>\$ 56,593</u></u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	<u>10,083</u>	<u>10,930</u>	<u>1,338</u>	<u>-</u>	<u>34,242</u>	<u>56,593</u>
Total fund balances	<u>10,083</u>	<u>10,930</u>	<u>1,338</u>	<u>-</u>	<u>34,242</u>	<u>56,593</u>
Total liabilities and fund balances	<u><u>\$ 10,083</u></u>	<u><u>\$ 10,930</u></u>	<u><u>\$ 1,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,242</u></u>	<u><u>\$ 56,593</u></u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Combining Statements of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2016**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ 100,604	\$ -	\$ -	\$ -	\$ 100,604
State sources	83,965	213,671	-	131,231	-	428,867
Other sources	-	-	-	-	14,601	14,601
Total revenues	83,965	314,275	-	131,231	14,601	544,072
Expenditures:						
Instructional	-	-	-	-	10,459	10,459
Plant operation and maintenance	-	-	-	-	578	578
Facility acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	278,396	-	278,396
Interest	-	-	-	170,039	-	170,039
Total expenditures	-	-	-	448,435	11,037	459,472
Excess (deficit) of revenues over expenditures	83,965	314,275	-	(317,204)	3,564	84,600
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	317,204	-	317,204
Operating transfers out	(73,882)	(303,345)	-	-	-	(377,227)
Total other financing sources(uses)	(73,882)	(303,345)	-	317,204	-	(60,023)
Net change in fund balance	10,083	10,930	-	-	3,564	24,577
Fund balance, June 30, 2015	-	-	1,338	-	30,678	32,016
Fund balance, June 30, 2016	\$ 10,083	\$ 10,930	\$ 1,338	\$ -	\$ 34,242	\$ 56,593

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,932,290	\$ 1,932,290	\$ 1,947,561	\$ 15,271
Earnings on investments	3,200	3,200	7,307	4,107
State sources	5,548,268	5,548,268	5,742,819	194,551
Federal sources	6,500	6,500	25,193	18,693
Other sources	76,400	136,423	179,405	42,982
Total revenues	<u>7,566,658</u>	<u>7,626,681</u>	<u>7,902,285</u>	<u>275,604</u>
Expenditures				
Instructional	4,411,063	4,422,852	4,266,681	156,171
Student support services	606,068	606,068	564,296	41,772
Staff support services	324,076	324,691	333,173	(8,482)
District administration	490,040	490,040	505,791	(15,751)
School administration	607,761	607,761	649,824	(42,063)
Business support services	348,752	348,752	414,200	(65,448)
Plant operation and maintenance	748,149	801,672	723,253	78,419
Student transportation	147,727	143,727	128,435	15,292
Food service operation	7,173	7,173	4,274	2,899
Community service operations	16,190	16,190	9,138	7,052
Debt service:				
Principal	37,340	37,340	37,339	1
Interest	-	-	-	-
Other	888,595	888,595	19,615	868,980
Total expenditures	<u>8,632,934</u>	<u>8,694,861</u>	<u>7,656,019</u>	<u>1,038,842</u>
Net change in fund balance	(1,066,276)	(1,068,180)	246,266	1,314,446
Fund balance, July 1, 2015	<u>1,066,277</u>	<u>1,066,277</u>	<u>1,066,277</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 1</u>	<u>\$ (1,903)</u>	<u>\$ 1,312,543</u>	<u>\$ 1,314,446</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 507,240	\$ 576,419	\$ 556,809	\$ (19,610)
Federal sources	799,271	873,031	1,076,390	203,359
Other sources	<u>22,816</u>	<u>22,816</u>	<u>68,513</u>	<u>45,697</u>
Total revenues	<u>1,329,327</u>	<u>1,472,266</u>	<u>1,701,712</u>	<u>229,446</u>
Expenditures				
Instructional	905,614	1,085,230	1,323,914	(238,684)
Student support services	111,774	113,492	111,444	2,048
Staff support services	127,270	84,345	67,590	16,755
School administration	-	-	183	(183)
Business support services	46,325	46,325	46,428	(103)
Student transportation	14,799	17,022	12,877	4,145
Central office	-	-	-	-
Community service operations	123,545	123,408	123,376	32
Other	<u>-</u>	<u>2,444</u>	<u>1,976</u>	<u>468</u>
Total expenditures	<u>1,329,327</u>	<u>1,472,266</u>	<u>1,701,712</u>	<u>(229,446)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
Year Ended June 30, 2016**

	<u>Issue of 2006 KISTA</u>	<u>Issue of 2008 KISTA</u>	<u>Issue of 2009R</u>	<u>Issue of 2009</u>	<u>Issue of 2009 KISTA</u>
Cash at July 1, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts:					
Transfers and miscellaneous deposits	<u>7,933</u>	<u>10,868</u>	<u>165,358</u>	<u>153,620</u>	<u>22,206</u>
Disbursements:					
Bonds paid	<u>7,628</u>	<u>9,867</u>	<u>145,000</u>	<u>85,000</u>	<u>20,027</u>
Interest coupons	<u>305</u>	<u>1,001</u>	<u>20,358</u>	<u>68,620</u>	<u>2,179</u>
Transfers and miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Call fee	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>7,933</u>	<u>10,868</u>	<u>165,358</u>	<u>153,620</u>	<u>22,206</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable and Payable					
Matured interest and bonds outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accounts receivable and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2011</u>	<u>Issue of 2011 KISTA</u>	<u>Issue of 2013</u>	<u>Total</u>	
Cash at July 1, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Receipts:					
Transfers and miscellaneous deposits	<u>50,963</u>	<u>9,826</u>	<u>65,000</u>	<u>485,774</u>	
Disbursements:					
Bonds paid	<u>15,000</u>	<u>8,213</u>	<u>25,000</u>	<u>315,735</u>	
Interest coupons	<u>35,963</u>	<u>1,613</u>	<u>40,000</u>	<u>170,039</u>	
Transfers and miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Call fee	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total disbursements	<u>50,963</u>	<u>9,826</u>	<u>65,000</u>	<u>485,774</u>	
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Cash at June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Accounts Receivable and Payable					
Matured interest and bonds outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total accounts receivable and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance at June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2016**

	<u>Fund Balance July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2016</u>
7th grade account	\$ 509	\$ 30	\$ -	\$ 539
8th grade account	233	-	-	233
Academic Team	-	570	447	123
After Prom	1,158	3,400	4,008	550
Angie Buschles community based account	248	1,000	1,007	241
Annual Yearbook	1,582	2,182	1,880	1,884
Art club	762	552	411	903
Art department	-	95	95	-
Athletic Booster club	4,480	22,041	20,998	5,523
Athletics	7,299	8,471	14,516	1,254
Band	10	-	-	10
Baseball	-	3,560	3,560	-
Baseball fundraiser	3,528	2,069	5,542	55
Bowling	-	570	570	-
Bowling fundraiser	575	669	502	742
Boys basketball	-	8,279	8,279	-
Boys basketball fundraiser	1,043	8,499	6,637	2,905
Boys cross county	-	495	495	-
Boys golf fundraiser	348	-	348	-
Boys track	-	2,076	2,076	-
Business department	-	63	63	-
C.A.K.E.	4,229	1,046	856	4,419
Cheerleading	-	72	72	-
Cheerleading fundraiser	4,709	5,174	5,945	3,938
Class of 2016	356	1,981	2,271	66
Class of 2017	113	6,066	4,765	1,414
Class of 2018	115	1,361	542	934
Class of 2019	-	128	112	16
Coke	2,138	980	1,273	1,845
Cross country fundraiser	1,406	183	290	1,299
Dance team fundraiser	64	-	64	-
Dayton walking tour	200	-	-	200
DECA	52	1,756	1,697	111
District Baseball Tournament	-	1,786	1,786	-
District Volleyball Tournament	-	1,960	1,960	-
Drama	13	-	-	13
Earth club	257	-	-	257
Edmentum	-	2,121	2,121	-
English department	1	61	61	1
FBLA	-	535	529	6
Fellowship of Christian athletes	9	-	-	9
Football	-	13,713	13,713	-
Football fundraiser	1,319	29,703	9,750	21,272
Future educators association	43	-	18	25
Girls basketball	-	6,132	6,132	-
Girls basketball fundraiser	4,342	1,333	4,383	1,292
Girls Cross Country	-	701	701	-

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2016
(Continued)**

	Fund Balance July 1, 2015	Receipts	Disbursements	Fund Balance June 30, 2016
Girls soccer	-	2,148	2,148	-
Girls tennis fundraiser	91	-	91	-
Girls track	-	2,441	2,441	-
Golf outing	3,528	1,800	5,328	-
Green zone	463	636	-	1,099
High school field trips	272	1,343	1,230	384
High school newspaper	200	-	-	200
High school student council	68	22	-	90
Library	184	1,890	2,039	35
Math department	-	157	157	-
Middle school basketball tournament	-	9,512	9,512	-
Middle school book store	-	-	-	-
Middle school basketball fundraiser	156	638	-	794
Middle school cheerleading	-	70	70	-
Middle school cheerleading fundraiser	468	2,380	2,044	804
Middle school dance	2,118	-	-	2,118
Middle school field trips	339	2,937	2,843	434
Middle school girls basketball fundraiser	1,367	50	360	1,057
Middle school robotics	75	150	175	50
Middle school science club	743	116	-	859
Middle school student council	131	-	-	131
Ms. Buschles class fundraiser	26	-	-	26
National honor society	176	1,003	673	506
National Jr. honor society	613	376	264	725
Principals account	3,747	4,546	2,667	5,626
Postage and stationary	34	-	-	34
River City classic volleyball tournament	-	2,505	2,505	-
Scholarships	25,059	14,019	16,800	22,278
School agendas	-	1,216	1,211	5
Science department	-	436	436	-
Senior banquet	565	500	388	677
Senior trip	858	11,163	10,776	1,245
Soccer fundraiser	2,272	1,263	2,409	1,126
Softball	-	2,860	2,860	-
Softball fundraiser	3,743	1,847	4,160	1,430
Staff flower fund	69	135	182	22
Student/teacher incentives	733	105	490	347
Track fundraiser	241	899	439	701
Transcript fees	768	78	-	846
Volleyball	-	4,489	4,489	-
Volleyball fundraiser	3,361	7,980	4,935	6,406
Washington D.C. trip	2,457	6,992	6,992	2,457
Weight room	27	-	27	-
Youth league basketball	-	23,463	23,463	-
Youth service center	4,380	3,090	2,842	4,629
Total	<u>\$ 100,473</u>	<u>\$ 256,669</u>	<u>\$ 247,922</u>	<u>\$ 109,220</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
Year Ended June 30, 2016**

	<u>Lincoln Elementary</u>	<u>Total</u>
Fund balances at July 1, 2015	\$ 7,157	\$ 7,157
Add: receipts	95,360	95,360
Less: disbursements	<u>(95,879)</u>	<u>(95,879)</u>
Fund balance at June 30, 2016	<u>\$ 6,638</u>	<u>\$ 6,638</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Liability - KTRS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability	0%	0%	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>30,776,138</u>	<u>29,749,812</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total	<u>\$ 30,776,138</u>	<u>\$ 29,749,812</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 4,544,045	4,537,035	4,521,703	4,630,015	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	42.49%	45.59%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - KTRS

	Last 10 Fiscal Years*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 209,888	\$ 193,387	\$ 145,458	\$ 116,304	\$ 99,188	*	*	*	*	*
Contributions in relation to the contractually required contribution						*	*	*	*	*
Contributions in relation to the contractually required contribution	(209,888)	(193,387)	(145,458)	(116,304)	(99,188)	*	*	*	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 4,629,144	\$ 4,544,045	\$ 4,537,035	\$ 4,521,703	\$ 4,630,015	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.53%	4.26%	3.21%	2.57%	2.14%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability - CERS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of net pension liability	0.047081%	0.044647%	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 2,024,238	\$ 1,449,000	*	*	*	*	*	*	*	*
Total net pension liability	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 1,052,781	\$ 1,018,168	\$ 1,089,064	\$ 1,081,100	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.3%	142.3%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tire for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

2015

- The assumed investment rate of return decreased from 7.75% to 7.50%.
 - The assumed rate of inflation was reduced from 3.50% to 3.25%
 - The assumed rate of wage inflation was reduced from 1.00% to 0.75%
 - Payroll growth assumption was reduced from 4.50% to 4.00%.
 - The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
 - For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scall BB to 2013 (set back 1 year for females).
- For disabled members, the RP-2000 Combined Disable Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement
- There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - CERS

	Last 10 Fiscal Years*									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 180,927	\$ 185,267	\$ 203,855	\$ 212,912	\$ 204,976	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(180,927)</u>	<u>(185,267)</u>	<u>(203,855)</u>	<u>(212,912)</u>	<u>(204,976)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 1,060,537	\$ 1,052,781	\$ 1,018,168	\$ 1,089,064	\$ 1,081,100	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	17.06%	17.60%	20.02%	19.55%	18.96%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2016
<u>U.S. Department of Education</u>			
<i>Passed through Northern Kentucky Cooperative for Educational Services</i>			
Improvement of Education (Counseling Grant)	84.215	581A	\$ 421
Improvement of Education (Counseling Grant)	84.215	581AE	637
Improvement of Education (Counseling Grant)	84.215	581BE	51,974
Total CFDA # 84.215			53,032
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 15	134
Special Education_Grants to States	84.027	3810002 16	262,652
Special Education_Preschool Grants	84.173	3800002 15	828
Special Education_Preschool Grants	84.173	3800002 16	32,011
Total Special Education Cluster			295,625
Title I Grants to Local Educational Agencies	84.010	3100002 15	29,298
Title I Grants to Local Educational Agencies	84.010	3100002 16	357,293
Title I Grants to Local Educational Agencies	84.010A	3100202	34,067
Total CFDA # 84.010			420,658
Title II Improving Teacher Quality State Grants	84.367	3230002 16	70,147
Title I, School Improvement Grants	84.377	3100002 14	227,208
<i>Passed through the Walton-Verona Independent School District</i>			
Career and technical Education -Basic Grants to States	84.048	348B	9,720
Total U.S. Department of Education			1,076,390
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 15	81,863
National School Lunch Program	10.555	7750002 16	339,230
School Breakfast Program	10.553	7760005 15	28,276
School Breakfast Program	10.553	7760005 16	115,525
Summer Food Program	10.559	7690024 15	1,593
Summer Food Program	10.559	7690024 16	21
Summer Food Program	10.559	7740023 15	15,543
Summer Food Program	10.559	7740023 16	200
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	N/A	32,896
Total Child Nutrition Cluster			615,147
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 16	23,934
Child and Adult Care Food Program	10.558	7800016 16	1,852
Total CFDA # 10.558			25,786
State Administrative Expenses for Child Nutrition Program	10.560	7700001 15	1,454
State Administrative Expenses for Child Nutrition Program	10.560	7850012 13	1,000
Total CFDA # 10.560			2,454
Total U.S. Department of Agriculture			643,387
Total Expenditures of Federal Awards			\$ 1,719,777

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dayton Independent School District under programs of the federal government for the year ended June 30, 2016, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the schedule presents only a selected portion of the operations of Dayton Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2016, the District reported food commodities expended in the amount of \$32,896.

**INDEPENDENT AUDITORS' 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 Members of the Board of Education
Dayton Independent School District
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, the business-type activities, each major fund, and the aggregate remaining fund information of Dayton Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Dayton Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dayton Independent School District's internal control over financial reporting (internal control) to determine the 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 Dayton Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dayton Independent School District'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 a 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. 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 Dayton Independent School District's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District in a separate letter dated November 14, 2016.

**INDEPENDENT AUDITORS' 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***

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Barnes, Dennig & Co., Ltd." in a cursive script.

Crestview Hills, Kentucky
November 14, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Dayton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dayton Independent School District's major federal programs for the year ended June 30, 2016. Dayton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dayton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dayton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dayton Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dayton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Dayton Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dayton Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dayton Independent School District's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

(Continued)

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky
November 14, 2016

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2016

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2016, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 14, 2016 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 14, 2016, on the financial statements of the Dayton Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Dayton High School

2016-01: Use of pre-numbered or computer generated POs

Criteria – Per best practices recommended by the Kentucky Department of Education, purchase orders issued by the school should be pre-numbered or computer generated as to not recreate and pay old expenses.

Condition – During the testing of cash disbursements, it was noted PO numbers were hand written and not pre-numbered.

Effect – Proper procedures for cash disbursement process were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all POs be either pre-numbered or computer generated to prevent payments on the same PO.

Board Response – The District has contracted with a third party to provide Redbook training to all bookkeepers and principals to develop best practices to be followed for the District.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2016**

Lincoln Elementary

2016-02: Use of pre-numbered or computer generated POs

Criteria – Per best practices recommended by the Kentucky Department of Education, purchase orders issued by the school should be pre-numbered or computer generated as to not recreate and pay old expenses.

Condition – During the testing of cash disbursements, it was noted PO numbers were hand written and not pre-numbered.

Effect – Proper procedures for cash disbursement process were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all POs be either pre-numbered or computer generated to prevent payments on the same PO.

Board Response – The District has contracted with a third party to provide Redbook training to all bookkeepers and principals to develop best practices to be followed for the District.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2016**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

None matters are reportable

ACTIVITY FUNDS

General Findings for All Schools

Statement of prior year deficiency:

- It was noted that several different purchase order forms were not properly filled out and approved prior to the purchase.

Current year follow-up: There were no such instances noted in the current year.

Dayton Independent High School

Statement of prior year deficiency:

- It was noted that inventory control sheets were not properly completed each time a fundraising event took place.

Current year follow-up: There were no such instances noted in the current year.