

# **Dayton Independent School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2017  
With Independent Auditors' Report**

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Year Ended June 30, 2017**

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**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Year Ended June 30, 2017**

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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, 2017, 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; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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, 2017, 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 (unaudited), budgetary comparison and pension liability and contributions information on pages 3-8, 44-46, and 51-54 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 10, 2017 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, 2017**

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, 2017. 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**

- 1% Bonus was given to all staff (not part of the salary schedule) after the tax rates were levied and budget finalized.
- Board approved 4% increase in tax revenues for property taxes for 2017. Our assessment continues to grow slightly as the Manhattan Harbor Riverfront project is progressing slowly. Our tax rate increased from 106.4 to 107.9 for 2017.
- ADA ended the year at 834.27 (includes Regional School Students). ADA continues to hold steady from past year.
- CERS (classified staff retirement match) increased from 17.06% to 18.61% for 2017. The governor and legislature will hold sessions to discuss the ongoing pension crisis in the state of KY. The final outcome of their decisions could impact the school districts in KY with higher employer matches and changes in the retirement system.
- The Board approved the following new positions for the district:
  - Kindergarten Teacher and Kindergarten Aide – increased enrollment
  - Special Education Teacher and Special Education Aide for Lincoln Elementary
  - Student Support Services (classified staff) for Lincoln office
  - Part time Preschool instructor paid through the New Preschool Partnership Grant
  - District Assessment & Compliance Coach – Stipend (Special Education Assessment)
- Bonds were sold for the Dayton High School Renovation project for \$1,645,000. Renovations include:
  - Renovation of Art Room and Industrial Arts into New Offices and STEAM lab; New Addition and Canopy out front; Renovation of Old Lobby; Exterior Courtyard and Pavement Improvements.
- Board funded a 3-year Computer Lease for 54 computers for the schools with Dell.
- District was approved to use \$98,550 of the Capital funds for HVAC contracts, Property Insurance, Chairs for Lincoln Elementary; Van for Student Transportation; Network Cabling & Fiber Build.
- District was able to fund the following this fiscal year: Lockdown System for Dayton High School; New Weight Room Equipment; Preschool Playground Equipment; Digital Marquee Signs for both schools (through private donations of \$50,000).

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2017 (Continued)

#### FINANCIAL HIGHLIGHTS (Continued)

- Several New Grants were awarded to Dayton Schools:
  - Preschool Partnership Grant - \$116,908
  - Summer Learning for Novice Reduction at DHS/DMS - \$35,900
  - Scripps Grant for Readers R Leaders - \$ 25,000
  - Early Care and Education Childcare Provider Quality Improvement Grant - \$ 30,000
- General Fund carryover of \$1,537,000 as of 6/30/17.
- Food Service continues to operate efficiently. Major purchases during the year were for Combi Ovens and new Cafeteria Tables. Also budget plans to purchase Chairs for the cafeterias and Meal Planning Software.

#### 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, 2017 (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 and deferred outflows exceeded liabilities and deferred inflows by \$1,748,185 as of June 30, 2017.

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, 2017**  
**(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position for the periods ending June 30, 2017 and 2016**

The following is a summary of net position for the fiscal years ended June 30, 2017 and 2016.

	<u><b>2017</b></u>	<u><b>2016</b></u>
Current assets	\$ 2,569,752	\$ 1,730,716
Noncurrent assets	<u>7,412,113</u>	<u>6,312,068</u>
<b>Total assets</b>	<u>9,981,865</u>	<u>8,042,784</u>
<b>Total deferred outflows</b>	<u>818,073</u>	<u>482,765</u>
Current liabilities	898,365	525,599
Noncurrent liabilities	<u>7,980,682</u>	<u>6,610,484</u>
<b>Total liabilities</b>	<u>8,879,047</u>	<u>7,136,083</u>
<b>Total deferred inflows</b>	<u>172,706</u>	<u>46,400</u>
<b>Net position</b>		
Investment in capital assets (net of debt)	1,323,237	1,551,507
Restricted	(957,644)	(1,304,248)
Unassigned	<u>1,382,592</u>	<u>1,095,807</u>
<b>Total net position</b>	<u><u>\$ 1,748,185</u></u>	<u><u>\$ 1,343,066</u></u>

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2017, were \$7,930,862, net of inter-fund transfers, of \$136,473.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$547,242 more than budget or approximately 7% increase.
- General Fund actual expenditures were \$7,598,385, net of inter-fund transfers of \$98,319.
- General Fund actual expenditures were less than budgeted expenditures by \$1,149,889.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2017**  
**(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 92,880	\$ 86,334
Operating grants	2,538,123	2,391,850
Capital grants	442,690	428,867
Total grant revenues	<u>3,073,693</u>	<u>2,907,051</u>
General Revenues		
Taxes	2,216,007	2,048,165
Grants and entitlements	8,334,711	6,878,843
Earnings on investments	18,608	8,192
Miscellaneous	422,354	374,613
Total general revenues	<u>10,991,680</u>	<u>9,309,813</u>
Total revenues	<u>14,065,373</u>	<u>12,216,864</u>
<b>Expenses</b>		
Instructional	8,817,754	7,459,386
Student support services	681,647	711,877
Instructional support	448,105	402,182
District administration	463,860	507,483
School administration	678,672	650,445
Business support	470,845	461,038
Plant operations	874,862	876,198
Student transportation	111,085	161,304
Community service activities	178,697	132,514
Other	4,196	4,274
Debt services	186,729	160,553
Food service	721,349	754,011
Daycare service	65,640	55,554
Total expenses	<u>13,703,440</u>	<u>12,336,819</u>
Change in net position	<u>\$ 361,933</u>	<u>\$ (119,955)</u>

## **DAYTON INDEPENDENT SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2017 (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 \$972,388 in contingency (11%). The cash balance for the beginning of the fiscal year was \$1,155,413.

#### **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  
As of June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 2,087,595	\$ 257,362	\$ 2,344,957
Accounts receivable	210,894	8,929	219,823
Inventories for consumption	-	4,972	4,972
Total current	<u>2,298,489</u>	<u>271,263</u>	<u>2,569,752</u>
<b>Noncurrent:</b>			
Nondepreciated capital assets:			
Land	160,725	-	160,725
Construction in progress	1,348,622	-	1,348,622
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	11,495,510	165,279	11,660,789
Furniture and equipment	1,644,507	298,843	1,943,350
Less: accumulated depreciation	<u>(7,500,321)</u>	<u>(300,809)</u>	<u>(7,801,130)</u>
Total noncurrent	<u>7,248,800</u>	<u>163,313</u>	<u>7,412,113</u>
Total assets	<u>9,547,289</u>	<u>434,576</u>	<u>9,981,865</u>
<b>Deferred outflows</b>	<u>786,273</u>	<u>31,800</u>	<u>818,073</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Current portion of bonds payable	363,237	-	363,237
Accounts payable	436,019	5,433	441,452
Accrued interest	45,259	-	45,259
Current portion of accrued sick leave	8,412	-	8,412
Accrued payroll and related expenses	30,339	-	30,339
Assessed KISBIT liability	<u>9,666</u>	<u>-</u>	<u>9,666</u>
Total current	<u>892,932</u>	<u>5,433</u>	<u>898,365</u>
<b>Noncurrent:</b>			
Accrued sick leave	75,709	-	75,709
CERS net pension liability	2,094,620	84,714	2,179,334
Bond obligations	<u>5,725,639</u>	<u>-</u>	<u>5,725,639</u>
Total noncurrent	<u>7,895,968</u>	<u>84,714</u>	<u>7,980,682</u>
Total liabilities	<u>8,788,900</u>	<u>90,147</u>	<u>8,879,047</u>
<b>Deferred inflows</b>	<u>165,993</u>	<u>6,713</u>	<u>172,706</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	1,159,924	163,313	1,323,237
Restricted	(1,163,847)	206,203	(957,644)
Unrestricted	<u>1,382,592</u>	<u>-</u>	<u>1,382,592</u>
Total net position	<u>\$ 1,378,669</u>	<u>\$ 369,516</u>	<u>\$ 1,748,185</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, 2017

Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instructional	\$ 8,817,754	\$ -	\$ 1,402,496	\$ -	\$ (7,415,258)	\$ -	\$ (7,415,258)
Student support services	681,647	-	67,607	-	(614,040)	-	(614,040)
Staff support services	448,105	-	71,519	-	(376,586)	-	(376,586)
District administration	463,860	-	-	-	(463,860)	-	(463,860)
School administration	678,672	-	-	-	(678,672)	-	(678,672)
Business support services	470,845	-	42,285	-	(428,560)	-	(428,560)
Plant operation and maintenance	874,862	-	-	-	(874,862)	-	(874,862)
Student transportation	111,085	-	1,175	-	(109,910)	-	(109,910)
Food Service	4,196	-	-	-	(4,196)	-	(4,196)
Community service operations	178,697	-	126,642	-	(52,055)	-	(52,055)
Facility acquisition and construction	-	-	-	442,690	442,690	-	442,690
Interest on long-term debt	186,729	-	-	-	(186,729)	-	(186,729)
Total governmental activities	12,916,451	-	1,711,724	442,690	(10,762,037)	-	(10,762,037)
<b>Business-type activities</b>							
Food service	721,349	41,983	812,514	-	-	133,148	133,148
Daycare	65,640	50,897	13,885	-	-	(858)	(858)
Total business-type activities	786,989	92,880	826,399	-	-	132,290	132,290
Total school district	<u>\$ 13,703,440</u>	<u>\$ 92,880</u>	<u>\$ 2,538,123</u>	<u>\$ 442,690</u>	<u>(10,762,037)</u>	<u>132,290</u>	<u>(10,629,747)</u>
<b>General revenues:</b>							
Taxes					2,216,007	-	2,216,007
State and federal sources					8,334,711	-	8,334,711
Investment earnings					16,966	1,642	18,608
Miscellaneous					406,775	1,622	408,397
Special items:							
Gain on sale of assets					13,957	-	13,957
Fund transfer					35,965	(35,965)	-
<b>Total general and special revenues</b>					<u>11,024,381</u>	<u>(32,701)</u>	<u>10,991,680</u>
<b>Change in net position</b>					262,344	99,589	361,933
<b>Net position - beginning</b>					<u>1,073,139</u>	<u>269,927</u>	<u>1,343,066</u>
<b>Net position - ending</b>					<u>\$ 1,335,483</u>	<u>\$ 369,516</u>	<u>\$ 1,704,999</u>

The accompanying notes are an integral part of these financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
As of June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ 1,581,978	\$ 59,049	\$ 413,127	\$ 33,441	\$ 2,087,595
Accounts receivable	<u>37,167</u>	<u>169,336</u>	<u>-</u>	<u>4,391</u>	<u>210,894</u>
Total assets	<u>\$ 1,619,145</u>	<u>\$ 228,385</u>	<u>\$ 413,127</u>	<u>\$ 37,832</u>	<u>\$ 2,298,489</u>
<b>Liabilities</b>					
<b>Current:</b>					
Accounts payable	\$ 51,868	\$ 228,385	\$ 155,766	\$ -	\$ 436,019
Accrued payroll and related expenses	<u>30,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,339</u>
Total current	<u>82,207</u>	<u>228,385</u>	<u>155,766</u>	<u>-</u>	<u>466,358</u>
<b>Fund Balances</b>					
Restricted:					
Capital projects	-	-	257,361	37,832	295,193
Assigned	15,300	-	-	-	15,300
Unassigned	<u>1,521,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,521,638</u>
Total fund balances	<u>1,536,938</u>	<u>-</u>	<u>257,361</u>	<u>37,832</u>	<u>1,832,131</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,619,145</u>	<u>\$ 228,385</u>	<u>\$ 413,127</u>	<u>\$ 37,832</u>	<u>\$ 2,298,489</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, 2017**

Total governmental fund balance		\$ 1,832,131
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	1,348,622	
Cost of capital assets	13,400,499	
Accumulated depreciation	<u>(7,500,321)</u>	7,248,800
Deferred outflows		
CERS contributions made after the measurement date	200,886	
Related to pensions	<u>585,387</u>	786,273
Deferred inflows related to pensions		(165,993)
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	(6,088,876)	
Accrued interest on bonds	(45,259)	
Assessed KISBIT liability	(9,666)	
Net pension liability	(2,094,620)	
Accrued sick leave	<u>(84,121)</u>	<u>(8,322,542)</u>
Net position for governmental activities		<u>\$ 1,378,669</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, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 2,111,278	\$ -	\$ -	\$ 104,729	\$ 2,216,007
Earnings on investments	14,135	-	2,831	-	16,966
State sources	5,644,730	655,033	-	442,690	6,742,453
Federal sources	42,631	1,023,350	-	-	1,065,981
Other sources	118,088	33,341	-	7,732	159,161
	<u>7,930,862</u>	<u>1,711,724</u>	<u>2,831</u>	<u>555,151</u>	<u>10,200,568</u>
Total revenues					
<b>Expenditures</b>					
Instructional	4,322,123	1,498,857	-	4,032	5,825,012
Student support services	597,771	67,607	-	-	665,378
Staff support services	376,163	71,519	-	110	447,792
District administration	463,627	-	-	-	463,627
School administration	678,523	-	-	-	678,523
Business support services	428,327	42,285	-	-	470,612
Plant operation and maintenance	735,431	-	-	-	735,431
Student transportation	116,060	1,175	-	-	117,235
Food service operation	4,196	-	-	-	4,196
Community service operations	8,869	126,642	43,186	-	178,697
Facility acquisition and construction	-	-	1,348,622	-	1,348,622
Debt service:					
Principal	24,809	-	-	291,876	316,685
Interest	2,679	-	-	178,006	180,685
	<u>7,758,578</u>	<u>1,808,085</u>	<u>1,391,808</u>	<u>474,024</u>	<u>11,432,495</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	<u>172,284</u>	<u>(96,361)</u>	<u>(1,388,977)</u>	<u>81,127</u>	<u>(1,231,927)</u>
<b>Other financing sources (uses)</b>					
Loan and bond proceeds	-	-	1,645,000	-	1,645,000
Proceeds from sale of assets	13,957	-	-	-	13,957
Operating transfers in	136,473	98,319	-	334,415	569,207
Operating transfers out	(98,319)	(1,958)	-	(432,965)	(533,242)
	<u>52,111</u>	<u>96,361</u>	<u>1,645,000</u>	<u>(98,550)</u>	<u>1,694,922</u>
Total other financing sources (uses)					
Net change in fund balance	224,395	-	256,023	(17,423)	462,995
Fund balance, July 1, 2016	<u>1,312,543</u>	<u>-</u>	<u>1,338</u>	<u>55,255</u>	<u>1,369,136</u>
Fund balance, June 30, 2017	<u>\$ 1,536,938</u>	<u>\$ -</u>	<u>\$ 257,361</u>	<u>\$ 37,832</u>	<u>\$ 1,832,131</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, 2017

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

Net changes-governmental funds		\$ 462,995
Proceeds from sale of bonds and other related costs		
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	(345,512)	
Capital outlays	<u>1,393,005</u>	1,047,493
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 proceeds	(1,645,000)	
Bond principal paid	<u>316,685</u>	(1,328,315)
Deferred outflows related to pensions		324,141
Deferred inflows related to pensions		(121,576)
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>(79,208)</u>
Changes in net position of governmental activities		<u>\$ 305,530</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, 2017**

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 257,362	\$ -	\$ 257,362
Accounts receivable	8,829	100	8,929
Inventories for consumption	4,972	-	4,972
Total current	<u>271,163</u>	<u>100</u>	<u>271,263</u>
<b>Noncurrent</b>			
Buildings and Improvements	117,379	47,900	165,279
Furniture and Fixtures	298,843	-	298,843
Less: accumulated depreciation	<u>(256,262)</u>	<u>(44,547)</u>	<u>(300,809)</u>
Total noncurrent	<u>159,960</u>	<u>3,353</u>	<u>163,313</u>
Total assets	<u>431,123</u>	<u>3,453</u>	<u>434,576</u>
<b>Deferred outflows</b>	<u>31,800</u>	<u>-</u>	<u>31,800</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	<u>5,433</u>	<u>-</u>	<u>5,433</u>
Total current	<u>5,433</u>	<u>-</u>	<u>5,433</u>
<b>Noncurrent</b>			
CERS net pension liability	<u>84,714</u>	<u>-</u>	<u>84,714</u>
Total noncurrent	<u>84,714</u>	<u>-</u>	<u>84,714</u>
Total liabilities	<u>90,147</u>	<u>-</u>	<u>90,147</u>
<b>Deferred inflows</b>	<u>6,713</u>	<u>-</u>	<u>6,713</u>
<b>Net Position</b>			
Invested in assets, net of debt	159,960	3,353	163,313
Restricted - net position	<u>206,103</u>	<u>100</u>	<u>206,203</u>
Total net position	<u>\$ 366,063</u>	<u>\$ 3,453</u>	<u>\$ 369,516</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, 2017**

	<b>Food Service</b>	<b>Daycare Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Lunchroom sales	\$ 41,983	\$ -	\$ 41,983
Other operating revenues	1,622	50,897	52,519
Total operating revenues	<u>43,605</u>	<u>50,897</u>	<u>94,502</u>
<b>Operating expenses</b>			
Salaries and benefits	326,234	-	326,234
Contract services	49,907	62,708	112,615
Materials and supplies	329,603	1,974	331,577
Depreciation	14,724	958	15,682
Other operating expenses	881	-	881
Total operating expenses	<u>721,349</u>	<u>65,640</u>	<u>786,989</u>
Operating loss	<u>(677,744)</u>	<u>(14,743)</u>	<u>(692,487)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	706,232	-	706,232
State grants	55,878	13,885	69,763
Donated commodities and other donations	50,404	-	50,404
Transfers	(35,965)	-	(35,965)
Interest income	1,642	-	1,642
Total nonoperating revenues	<u>778,191</u>	<u>13,885</u>	<u>792,076</u>
Net income (loss)	100,447	(858)	99,589
Total net position, July 1, 2016	<u>265,616</u>	<u>4,311</u>	<u>269,927</u>
Total net position, June 30, 2017	<u><u>\$ 366,063</u></u>	<u><u>\$ 3,453</u></u>	<u><u>\$ 369,516</u></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, 2017**

	<b>Food Service Fund</b>	<b>Daycare Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from lunchroom sales	\$ 41,983	\$ -	\$ 41,983
Cash received from other activities	3,735	50,897	54,632
Cash payments to employees for services	(334,473)	-	(334,473)
Cash payments to suppliers for goods and services	(370,252)	(63,546)	(433,798)
Cash transfers	(35,965)	-	(35,965)
Net cash used in operating activities	<u>(694,972)</u>	<u>(12,649)</u>	<u>(707,621)</u>
<b>Cash flows from capital financing activities</b>			
Purchase of capital assets	<u>(68,234)</u>	-	<u>(68,234)</u>
Net cash used in capital financing activities	<u>(68,234)</u>	-	<u>(68,234)</u>
<b>Cash flows from noncapital financing activities</b>			
Non-operating revenues received	<u>812,514</u>	<u>13,885</u>	<u>826,399</u>
Net cash provided by noncapital financing activities	<u>812,514</u>	<u>13,885</u>	<u>826,399</u>
<b>Cash flows from investing activities</b>			
Interest on investments	<u>1,642</u>	-	<u>1,642</u>
Net cash flows provided by investing activities	<u>1,642</u>	-	<u>1,642</u>
Net increase in cash and cash equivalents	50,950	1,236	52,186
Cash (overdraft) and cash equivalents - beginning	<u>206,412</u>	<u>(1,236)</u>	<u>205,176</u>
Cash and cash equivalents - ending	<u><u>\$ 257,362</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,362</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (677,744)	\$ (14,743)	\$ (692,487)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>			
Depreciation	14,724	958	15,682
Transfers	(35,965)	-	(35,965)
Changes in assets and liabilities:			
Increase in deferred outflows	(11,167)	-	(11,167)
Increase in deferred inflows	4,730	-	4,730
Decrease in CERS net pension liability	(1,802)	-	(1,802)
Increase in accounts payable	5,139	-	5,139
Decrease in accounts receivable	2,113	1,136	3,249
Decrease in inventories	5,000	-	5,000
Net cash used in operating activities	<u><u>\$ (694,972)</u></u>	<u><u>\$ (12,649)</u></u>	<u><u>\$ (707,621)</u></u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	<u>\$ 50,404</u>	<u>\$ -</u>	<u>\$ 50,404</u>
On-behalf payments	<u><u>\$ 50,167</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,167</u></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, 2017**

	<u>School Activity Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 129,773</u>	<u>\$ 129,773</u>
Total assets	<u>129,773</u>	<u>129,773</u>
<b>Liabilities</b>		
Due to student groups	<u>129,773</u>	<u>129,773</u>
Total liabilities	<u><u>\$ 129,773</u></u>	<u><u>\$ 129,773</u></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.

##### ***Fair Value Measurements***

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted to the fair value

## 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, 2017 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Land	\$ 160,725	\$ -	\$ -	\$ 160,725
Land improvements	99,757	-	-	99,757
Buildings and improvements	11,495,510	-	-	11,495,510
Technology equipment	1,047,784	-	124,850	922,934
Vehicles	457,252	25,433	-	482,685
General equipment	219,938	18,950	-	238,888
Construction work in progress	-	1,348,622	-	1,348,622
Totals at historical cost	13,480,966	1,393,005	124,850	14,749,121
Less: accumulated depreciation				
Land improvements	78,447	2,368	-	80,815
Buildings and improvements	5,746,394	283,619	-	6,030,013
Technology equipment	886,246	29,679	124,850	791,075
Vehicles	400,614	19,283	-	419,897
General equipment	167,958	10,563	-	178,521
Total accumulated depreciation	7,279,659	345,512	124,850	7,500,321
Governmental activities capital assets - net	<u>\$ 6,201,307</u>	<u>\$ 1,047,493</u>	<u>\$ -</u>	<u>\$ 7,248,800</u>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Vehicles	4,000	-	-	4,000
Technology equipment	10,222	-	445	9,777
General equipment	216,832	68,234	-	285,066
Totals at historical cost	396,333	68,234	445	464,122
Less: accumulated depreciation				
Buildings and improvements	122,234	3,306	-	125,540
Vehicles	4,000	-	-	4,000
Technology equipment	10,222	-	445	9,777
General equipment	149,116	12,376	-	161,492
Total accumulated depreciation	285,572	15,682	445	300,809
Business - type activities capital assets - net	<u>\$ 110,761</u>	<u>\$ 52,552</u>	<u>\$ -</u>	<u>\$ 163,313</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, 2017 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 159,935	\$ -
Student support services	16,269	-
Staff support services	313	-
District administration	233	-
School administration	149	-
Business support services	233	-
Plant operation and maintenance	149,097	-
Student transportation	19,283	-
Food service	-	14,724
Daycare	-	958
	<u>          </u>	<u>          </u>
Total	<u>\$ 345,512</u>	<u>\$ 15,682</u>

**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, 2017 this amount totaled approximately \$84,121 for those employees with twenty-seven or more years of experience.

**NOTE 6 COMMITMENTS UNDER NONCAPITALIZED LEASES**

The district has operating leases for equipment expiring in 2019. Expenditures for the equipment under the operating leases totaled \$14,571 for the year ended June 30, 2017.

Future minimum rental payments under the leases as are as follows:

Year Ending <u>June 30,</u>	
2017-2018	\$ 14,571
2018-2019	<u>14,571</u>
Total minimum payments	<u><u>\$ 29,142</u></u>

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 7 BONDED DEBT

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

Issue Date	Proceeds	Rates
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%
November 2016	1,645,000	2.000% - 3.125%

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, 2017 for debt service (principal and interest) are reported in Note 16.

#### NOTE 8 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.



## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 9 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.

#### NOTE 10 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 11 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	\$ 858
Special Revenue Fund	96,361
Construction Fund	1,388,977
Debt Service Fund	334,415

#### NOTE 12 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).

**DAYTON INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 13 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, 2017, 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 \$9,666. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE 14 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	\$ 98,319
Special Revenue Fund	General Fund	Indirect Cost Transfer	1,958
Capital Outlay Fund	Debt Service Fund	Debt Service	29,810
Capital Outlay Fund	General Fund	Operating	64,088
Building Fund	Debt Service Fund	Debt Service	304,605
Food Service Fund	General Fund	Indirect Cost Transfer	35,965
Building Fund	General Fund	Operating	34,462

**NOTE 15 ON-BEHALF PAYMENTS**

For the year ended June 30, 2017 total payments of \$1,738,885 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	\$ 1,545,116
Debt Service	135,467
Day Care	8,135
Food Service	<u>50,167</u>
Total On-Behalf	<u><u>\$ 1,738,885</u></u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS**

Fiscal Year	Dayton Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2017-2018	\$ 235,844	\$ 161,931	\$ 397,775	\$ 127,393	\$ 36,649	\$ 164,042	\$ 561,817
2018-2019	234,373	154,448	388,821	130,872	32,792	163,664	552,485
2019-2020	235,742	147,038	382,780	56,826	28,819	85,645	468,425
2020-2021	244,388	140,141	384,529	58,438	27,207	85,645	470,174
2021-2022	244,896	132,956	377,852	60,104	25,541	85,645	463,498
2022-2023	253,173	125,779	378,952	61,827	23,819	85,646	464,598
2023-2024	261,313	118,303	379,616	63,687	21,957	85,644	465,260
2024-2025	269,132	109,422	378,554	65,868	19,778	85,646	464,200
2025-2026	276,873	100,212	377,085	68,127	17,518	85,645	462,730
2026-2027	284,422	90,268	374,690	70,578	15,067	85,645	460,335
2027-2028	296,878	79,927	376,805	73,122	12,523	85,645	462,450
2028-2029	309,161	68,664	377,825	75,839	9,805	85,644	463,469
2029-2030	304,480	56,255	360,735	35,520	6,982	42,502	403,238
2030-2031	318,392	45,761	364,153	36,608	5,895	42,503	406,656
2031-2032	262,259	34,560	296,819	37,741	4,762	42,503	339,322
2032-2033	271,091	26,493	297,584	38,909	3,594	42,503	340,088
2033-2034	153,135	17,532	170,667	21,865	2,390	24,255	194,922
2034-2035	157,440	12,679	170,119	22,560	1,696	24,256	194,375
2035-2036	161,724	7,692	169,416	23,276	980	24,256	193,672
2036-2037	165,288	2,583	167,871	19,712	308	20,020	187,891
	<u>\$ 4,940,004</u>	<u>\$ 1,632,642</u>	<u>\$ 6,572,646</u>	<u>\$ 1,148,872</u>	<u>\$ 298,085</u>	<u>\$ 1,446,957</u>	<u>\$ 8,019,603</u>

A summary of the changes in the principal of the outstanding bond obligations and sick leave liability for the District during the year ended June 30, 2017 is as follows:

Governmental Activities	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Bond Obligations	<u>\$ 4,760,561</u>	<u>\$ 1,645,000</u>	<u>\$ 316,685</u>	<u>\$ 6,088,876</u>
Sick Leave Liability	<u>\$ 158,189</u>	<u>\$ 6,697</u>	<u>\$ 80,765</u>	<u>\$ 84,121</u>

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 17 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 17 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, 2017, was \$270,755, which consisted of \$209,010 from the District and \$61,745 from the employees. Total contributions for the year ended June 30, 2016 and 2015 were \$238,533 and \$241,782, respectively. The contributions have been contributed in full for fiscal years 2017, 2016 and 2015.

##### **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](http://www.ktrs.ky.gov/05_publications/index.htm).

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 17 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 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2017, was \$814,692, which consisted of \$214,496 from the District and \$600,196 from the employees. Total contributions for the year ended June 30, 2016 and 2015 were \$804,964 and \$743,444, respectively. The contributions have been contributed in full for fiscal years 2017, 2016 and 2015.

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 17 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, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% 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 17 RETIREMENT PLANS (CONTINUED)**

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

At June 30, 2017, 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	\$ 2,179,334
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>40,720,474</u>
	<u><u>\$ 42,899,808</u></u>

The net pension liability for each plan was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.44263% percent.



**DAYTON INDEPENDENT SCHOOL DISTRICT**

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

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

For the year ended June 30, 2017, the District recognized pension expense of \$281,402 related to CERS and \$2,647,350 related to KTRS. The District also recognized revenue of \$2,647,350 for KTRS support provided by the Commonwealth. At June 30, 2016, 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	\$ 22,972	\$ -
Net difference between projected and actual earnings on pension plan investments	219,397	97,200
Changes of Assumptions	278,747	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	87,948	75,506
District contributions subsequent to the measurement date	<u>209,010</u>	<u>-</u>
Total	<u><u>\$ 818,073</u></u>	<u><u>\$ 172,706</u></u>

\$209,010 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, 2017. 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	\$	86,385
2018		86,385
2019		86,385
2020		118,785
2021		58,417

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 17 RETIREMENT PLANS (CONTINUED)

##### *Actuarial assumptions*

The total pension liability in the June 30, 2016 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 and will be reflected in the June 30, 2017 GASB 68 reports.

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 17 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:

<b>Asset Class</b>	<b>KTRS Target Allocation</b>	<b>KTRS Long-Term Expected Real Rate of Return</b>	<b>CERS Target Allocation</b>	<b>CERS Long-Term Expected Real Rate of Return</b>
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 4.20%. 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 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. 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 17 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	2,715,803	2,179,334	1,719,473
KTRS	3.20%	4.20%	5.20%
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 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 10, 2017, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2017**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Non-major Government Funds</u>
<b>Assets</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 33,441	\$ 33,441
Accounts receivable	-	-	-	4,391	4,391
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,832</u>	<u>\$ 37,832</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted	-	-	-	37,832	37,832
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,832</u>	<u>37,832</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,832</u>	<u>\$ 37,832</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Combining Statements of Revenues, Expenditures and Changes  
In Fund Balances – Nonmajor Governmental Funds  
As of June 30, 2017**

	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>Debt Service Fund</b>	<b>District Activity Fund</b>	<b>Total Nonmajor Government Funds</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ 104,729	\$ -	\$ -	\$ 104,729
State sources	83,815	223,408	135,467	-	442,690
Other sources	-	-	-	7,732	7,732
Total revenues	83,815	328,137	135,467	7,732	555,151
<b>Expenditures:</b>					
Instructional	-	-	-	4,032	4,032
Staff support services	-	-	-	110	110
Debt service:					
Principal	-	-	291,876	-	291,876
Interest	-	-	178,006	-	178,006
Total expenditures	-	-	469,882	4,142	474,024
Excess (deficit) of revenues over expenditures	83,815	328,137	(334,415)	3,590	81,127
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	334,415	-	334,415
Operating transfers out	(93,898)	(339,067)	-	-	(432,965)
Total other financing sources(uses)	(93,898)	(339,067)	334,415	-	(98,550)
Net change in fund balance	(10,083)	(10,930)	-	3,590	(17,423)
Fund balance, June 30, 2016	10,083	10,930	-	34,242	55,255
Fund balance, June 30, 2017	\$ -	\$ -	\$ -	\$ 37,832	\$ 37,832

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 2,034,810	\$ 2,034,810	\$ 2,111,278	\$ 76,468
Earnings on investments	5,000	5,000	14,135	9,135
State sources	5,312,790	5,312,790	5,644,730	331,940
Federal sources	6,500	6,500	42,631	36,131
Other sources	<u>130,253</u>	<u>174,950</u>	<u>268,518</u>	<u>93,568</u>
Total revenues	<u>7,489,353</u>	<u>7,534,050</u>	<u>8,081,292</u>	<u>547,242</u>
<b>Expenditures</b>				
Instructional	4,332,717	4,341,409	4,322,123	19,286
Student support services	570,559	581,559	597,771	(16,212)
Staff support services	349,558	349,130	376,163	(27,033)
District administration	485,545	485,545	463,627	21,918
School administration	629,264	629,264	678,523	(49,259)
Business support services	412,759	412,759	428,327	(15,568)
Plant operation and maintenance	870,084	789,084	735,431	53,653
Student transportation	112,332	137,765	116,060	21,705
Food service operation	7,844	7,844	4,196	3,648
Community service operations	15,690	15,690	8,869	6,821
Debt service:				
Principal	27,487	27,487	24,809	2,678
Interest	-	-	2,679	(2,679)
Other	<u>988,057</u>	<u>1,069,057</u>	<u>98,319</u>	<u>970,738</u>
Total expenditures	<u>8,801,896</u>	<u>8,846,593</u>	<u>7,856,897</u>	<u>989,696</u>
Net change in fund balance	(1,312,543)	(1,312,543)	224,395	1,536,938
Fund balance, July 1, 2016	<u>1,312,543</u>	<u>1,312,543</u>	<u>1,312,543</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,536,938</u>	<u>\$ 1,536,938</u>



**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
State sources	\$ 497,808	\$ 682,784	\$ 655,033	\$ (27,751)
Federal sources	821,179	865,677	1,023,350	157,673
Other sources	<u>15,669</u>	<u>44,169</u>	<u>131,660</u>	<u>87,491</u>
Total revenues	<u>1,334,656</u>	<u>1,592,630</u>	<u>1,810,043</u>	<u>217,413</u>
<b>Expenditures</b>				
Instructional	1,029,976	1,273,315	1,498,857	(225,542)
Student support services	63,939	64,939	67,607	(2,668)
Staff support services	78,603	82,212	71,519	10,693
Business support services	39,238	39,238	42,285	(3,047)
Student transportation	-	4,082	1,175	2,907
Community service operations	122,900	126,400	126,642	(242)
Other	<u>-</u>	<u>2,444</u>	<u>1,958</u>	<u>486</u>
Total expenditures	<u>1,334,656</u>	<u>1,592,630</u>	<u>1,810,043</u>	<u>(217,413)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Construction Fund  
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Earnings on investments	\$ -	\$ -	\$ 2,831	\$ 2,831
Other sources	<u>-</u>	<u>-</u>	<u>1,645,000</u>	<u>1,645,000</u>
Total revenues	<u>-</u>	<u>-</u>	<u>1,647,831</u>	<u>1,647,831</u>
<b>Expenditures</b>				
Facility acquisition and construction	<u>-</u>	<u>-</u>	<u>1,348,622</u>	<u>(1,348,622)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>1,391,808</u>	<u>(1,391,808)</u>
Net change in fund balance	-	-	256,023	256,023
Fund balance, July 1, 2016	<u>-</u>	<u>-</u>	<u>1,338</u>	<u>1,338</u>
Fund balance, June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,361</u></u>	<u><u>\$ 257,361</u></u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Bond and Interest Redemption Funds  
Year Ended June 30, 2017**

	<u>Issue of 2008 KISTA</u>	<u>Issue of 2009R</u>	<u>Issue of 2009</u>	<u>Issue of 2009 KISTA</u>	<u>Issue of 2011</u>
<b>Cash at July 1, 2016</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	9,160	165,645	155,985	21,356	50,213
<b>Disbursements:</b>					
Bonds paid	8,514	150,000	90,000	19,743	15,000
Interest coupons	646	15,645	65,985	1,613	35,213
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	9,160	165,645	155,985	21,356	50,213
Excess of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2017</b>	-	-	-	-	-
<b>Accounts Receivable and Payable</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund Balance at June 30, 2017</b>	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Issue of 2011 KISTA</u>	<u>Issue of 2013</u>	<u>Issue of 2016</u>	<u>Total</u>	
<b>Cash at July 1, 2016</b>	\$ -	\$ -	\$ -	\$ -	
<b>Receipts:</b>					
Transfers and miscellaneous deposits	9,836	64,688	20,188	497,071	
<b>Disbursements:</b>					
Bonds paid	8,428	25,000	-	316,685	
Interest coupons	1,408	39,688	20,188	180,386	
Transfers and miscellaneous	-	-	-	-	
Call fee	-	-	-	-	
Total disbursements	9,836	64,688	20,188	497,071	
Excess of receipts over disbursements	-	-	-	-	
<b>Cash at June 30, 2017</b>	-	-	-	-	
<b>Accounts Receivable and Payable</b>					
Matured interest and bonds outstanding	-	-	-	-	
Due from other funds	-	-	-	-	
Due to other funds	-	-	-	-	
Total accounts receivable and payable	-	-	-	-	
<b>Fund Balance at June 30, 2017</b>	\$ -	\$ -	\$ -	\$ -	

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Dayton High School  
Year Ended June 30, 2017**

	<b>Fund Balance July 1, 2016</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2017</b>
3D printer club	\$ -	\$ 475	\$ 138	\$ 337
7th grade account	539	-	-	539
8th grade account	233	-	-	233
Academic Team	123	-	-	123
After Prom	550	3,260	2,856	954
Angie Buschles community based account	241	885	882	244
Annual Yearbook	1,884	2,571	3,462	993
Art club	903	297	510	690
Art department	-	150	150	-
Athletic Booster club	5,523	31,823	26,380	10,966
Athletics	1,254	22,092	4,228	19,118
Band	10	64	-	74
Baseball	-	1,972	1,972	-
Baseball fundraiser	55	2,996	2,051	1,000
Bowling	-	1,255	1,255	-
Bowling fundraiser	742	-	488	254
Boys basketball	-	8,758	8,758	-
Boys basketball fundraiser	2,905	12,262	12,734	2,433
Boys cross county	-	172	172	-
Boys track	-	2,908	2,908	-
Business department	-	102	102	-
C.A.K.E.	4,419	2,196	480	6,135
Cheerleading	-	265	265	-
Cheerleading fundraiser	3,938	2,036	3,055	2,919
Class of 2016	66	-	-	66
Class of 2017	1,414	1,066	1,364	1,116
Class of 2018	934	7,271	5,782	2,423
Class of 2019	16	1,455	411	1,060
Coke	1,845	1,204	1,012	2,037
Cross country fundraiser	1,299	50	-	1,349
Dayton walking tour	200	-	200	-
DECA	111	-	-	111
District Baseball Tournament	-	8,525	8,525	-
Drama	13	38	-	51
Earth club	257	-	-	257
Edmentum	-	2,432	2,432	-
English department	1	39	40	-
FBLA	6	862	783	85
Fellowship of Christian athletes	9	-	-	9
Football	-	17,689	17,689	-
Football fundraiser	21,272	9,233	25,022	5,483
Future educators association	25	-	-	25
Girls basketball	-	6,632	6,632	-
Girls basketball fundraiser	1,292	7,346	4,262	4,376

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Dayton High School  
Year Ended June 30, 2017  
(Continued)**

	<b>Fund Balance July 1, 2016</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2017</b>
Girls Cross Country	-	172	172	-
Girls soccer	-	4,521	4,521	-
Girls track	-	3,063	3,063	-
Golf outing	-	10,222	9,572	650
Green zone	1,099	65	1,000	164
Guidance department	-	533	533	-
High school field trips	384	1,212	986	610
High school newspaper	200	-	200	-
High school student council	90	194	117	167
Library	35	247	33	249
Math department	-	173	173	-
Middle school basketball tournament	-	18,855	18,855	-
Middle school basketball fundraiser	794	-	600	194
Middle school cheerleading fundraiser	804	1,004	1,025	783
Middle school dance	2,118	-	-	2,118
Middle school field trips	434	5,383	5,249	568
Middle school girls basketball fundraiser	1,057	-	-	1,057
Middle school robotics	50	500	250	300
Middle school science club	859	652	33	1,478
Middle school student council	131	-	-	131
Ms. Buschles class fundraiser	26	-	26	-
National honor society	506	-	315	191
National Jr. honor society	725	536	696	565
Principals account	5,626	4,266	2,882	7,010
Postage and stationary	34	-	34	-
River City classic volleyball tournament	-	1,934	1,934	-
Scholarships	22,278	8,422	9,450	21,250
School agendas	5	1,160	1,165	-
Science department	-	440	440	-
Senior banquet	677	500	603	574
Senior trip	1,245	17,266	17,636	875
Soccer fundraiser	1,126	2,358	1,701	1,783
Softball	-	2,518	2,518	-
Softball fundraiser	1,430	3,850	3,429	1,851
Staff flower fund	22	290	56	256
Student/teacher incentives	347	568	408	507
Track fundraiser	701	3,672	3,309	1,064
Transcript fees	845	99	-	944
Volleyball	-	2,485	2,485	-
Volleyball fundraiser	6,406	3,419	7,201	2,624
Washington D.C. trip	2,457	2,094	2,094	2,457
Weight room	-	2,434	2,434	-
Youth league basketball	-	30,649	30,649	-
Youth service center	4,629	3,070	3,734	3,965
<b>Total</b>	<b>\$ 109,220</b>	<b>\$ 299,207</b>	<b>\$ 288,581</b>	<b>\$ 119,846</b>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
School Activity Fund  
Year Ended June 30, 2017**

	<u>Lincoln Elementary</u>	<u>Total</u>
Fund balances at July 1, 2016	\$ 6,638	\$ 6,638
Add: receipts	90,599	90,599
Less: disbursements	<u>(87,310)</u>	<u>(87,310)</u>
Fund balance at June 30, 2017	<u>\$ 9,927</u>	<u>\$ 9,927</u>

# DAYTON INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability	0%	0%	0%	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	40,720,474	30,776,138	29,749,812	*	*	*	*	*	*	*
Total	<u>\$40,720,474</u>	<u>\$30,776,138</u>	<u>\$29,749,812</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	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	35.22%	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*									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 214,496	\$ 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	(214,496)	(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	\$ 4,670,750	\$ 4,629,144	\$ 4,544,045	\$ 4,537,035	\$ 4,521,703	\$ 4,630,015	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.59%	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*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of net pension liability	0.044263%	0.047081%	0.044647%	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 2,179,334	\$ 2,024,238	\$ 1,449,000	*	*	*	*	*	*	*
Total net pension liability	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 1,060,537	\$ 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	205.5%	192.3%	142.3%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	55.50%	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 tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered 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 Scale 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 is 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>2017</u>	<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>
Contractually required contribution	\$ 209,010	\$ 180,927	\$ 185,267	\$ 203,855	\$ 212,912	\$ 204,976	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(209,010)</u>	<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>
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	\$ 1,123,109	\$ 1,060,537	\$ 1,052,781	\$ 1,018,168	\$ 1,089,064	\$ 1,081,100	*	*	*	*
Contributions as a percentage of of covered-employee payroll	18.61%	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, 2017

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agreement Number</b>	<b>Federal Expenditures for FYE 6/30/2017</b>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Northern Kentucky Cooperative for Educational Services</i></b>			
Improvement of Education (Counseling Grant)	84.215	581BE	\$ 3,422
Total CFDA # 84.215			3,422
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 16	4,500
Special Education_Grants to States	84.027	3810002 17	275,354
Special Education_Preschool Grants	84.173	3800002 16	36
Special Education_Preschool Grants	84.173	3800002 17	31,744
Total Special Education Cluster			311,634
Title I Grants to Local Educational Agencies	84.010	3100002 16	14,426
Title I Grants to Local Educational Agencies	84.010	3100002 17	409,770
Title I Grants to Local Educational Agencies	84.010A	3100202 15	19,438
Title I Grants to Local Educational Agencies	84.010A	3100202 16	2,013
Total CFDA # 84.010			445,647
Title II Improving Teacher Quality State Grants	84.367	3230002 16	4,408
Title II Improving Teacher Quality State Grants	84.367	3230002 17	64,178
Total CFDA # 84.367			68,586
Title I, School Improvement Grants	84.377	3100002 14	188,392
<b><i>Passed through the Walton-Verona Independent School District</i></b>			
Career and technical Education -Basic Grants to States	84.048	348C	5,669
Total U.S. Department of Education			1,023,350
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
National School Lunch Program	10.555	7750002 16	81,424
National School Lunch Program	10.555	7750002 17	353,002
School Breakfast Program	10.553	7760005 16	29,556
School Breakfast Program	10.553	7760005 17	118,787
Summer Food Program	10.559	7690024 16	775
Summer Food Program	10.559	7690024 17	849
Summer Food Program	10.559	7740023 16	7,527
Summer Food Program	10.559	7740023 17	8,265
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation	10.555	4000814	47,654
Total Child Nutrition Cluster			647,839
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027 15	49,997
<b><i>Passed through Kentucky Department of Education</i></b>			
Child and Adult Care Food Program	10.558	7790021 16	5,919
Child and Adult Care Food Program	10.558	7790021 17	46,329
Child and Adult Care Food Program	10.558	7800016 16	431
Child and Adult Care Food Program	10.558	7800016 17	3,371
Total CFDA # 10.558			56,050
Total U.S. Department of Agriculture			753,886
Total Expenditures of Federal Awards			\$ 1,777,236

## **DAYTON INDEPENDENT SCHOOL DISTRICT**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017**

#### **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, 2017, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **NOTE 3 FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2017, the District reported food commodities expended in the amount of \$47,654.

#### **NOTE 4 INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

#### **NOTE 5 SUBRECIPIENTS**

The District did not have any subrecipients during the year ended June 30, 2017.

**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, 2017, 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 10, 2017.

**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 on pages 63 to 65 of the audited financial statements.

**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 cursive script that reads "Barnes, Dennig & Co., Ltd.".

Crestview Hills, Kentucky  
November 10, 2017

**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, 2017. 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, 2017.

**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 10, 2017



DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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
10.553/10.555/10.560	Child Nutrition Cluster

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, 2017**

**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, 2017**

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2017, 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 10, 2017 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 10, 2017, on the financial statements of the Dayton Independent School District.

#### **CURRENT YEAR RECOMMENDATIONS**

##### **CENTRAL OFFICE**

No matters are reportable

##### **ACTIVITY FUNDS**

##### **Dayton High School**

##### **2017-01: 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 bookkeeper will review the school bookkeeping program can generate pre-numbered purchase orders. If it is not possible, they will order pre-numbered ones that are carbonless three copies.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments  
(Continued)  
Year Ended June 30, 2017**

**Lincoln Elementary**

**2017-02: 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 bookkeeper will review the school bookkeeping program can generate pre-numbered purchase orders. If it is not possible, they will order pre-numbered ones that are carbonless three copies.

**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**

**Dayton Independent High School**

Statement of prior year deficiency:

- It was noted that pre-numbered POs were not being used by the school.

Current year follow-up: Item still exists at this school. See 2017-01.

**Lincoln Elementary**

Statement of prior year deficiency:

- It was noted that pre-numbered POs were not being used by the school.

Current year follow-up: Item still exists at this school. See 2017-02.