Dayton Independent School District

Financial Statements
With Supplementary Information
Year Ended June 30, 2018
With Independent Auditors' Report

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2018

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BARNES DENNIG
Accounting • Tax • Business Insight

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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, 2018, 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, 2018, 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 OPEB liability, and contributions information on pages 3-8, 54-55, and 60-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dayton Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dayton Independent School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2018

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018

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, 2018. 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

- Board approved 4% increase in tax revenues for property taxes for 2018. Assessment is slow to increase as the Riverfront properties are progressing slowly. 2018-19 will be another year with little growth. We are hoping the 2019-20 school year will show significant growth. The tax rate for 2017-18 year was 112.1 for real estate and personal property.

- ADA ended the year at 815.54. ADA is slightly lower than the previous year.

- CERS (Classified staff retirement match) increased from 18.61% to 19.18% for the 2018 school year. The rate will increase again in 2019 to 21.48%. The legislature and the governor continue to discuss the ongoing pension crisis in the state of KY. The state did kick in extra dollars to the fund based on the on-behalfs report given to the schools.

- Transportation SEEK was reduced in the 2018 fiscal year as the prior year the board voted to discontinue transportation of students to/from school.

- Medicaid reimbursements were around $50,000; which helped to offset costs for the additional services needed for the district – Speech/OT-PT/School Psychologist

- Board voted to increase the school bus drivers' salary schedule to add an additional $2.00/hour and also the custodians were given an additional $1.00/hour to their pay scale.

- The Dayton High School renovation was completed at the start of the school year. The project totaled $1,645,000. Also, major improvements were made to the sidewalks going to the elementary school with help from the City of Dayton.

- The district approved $31,252 of the Capital funds to help pay for emergency lighting at the schools, replace a sump pump at LES, and repair a water main break at LES.

- District was able to fund the following projects during the 2017-18 school term:

    - Major repairs to 2 buses – replacing an engine and replace the bus floor
    - Purchase of a small lot adjacent to the high school on Third Street, which included demolition of the existing building – FY2019 another lot will also be purchased by the district in the same area
    - Purchase laptops for all teachers at Lincoln Elementary; Purchase MacBooks for all teachers at the high schools
    - With a generous donation from a company along with the School Improvement grant awarded to the district, MacBooks were purchased for every student at the high school
    - Board contracted to have a new security lock system for Lincoln Elementary. DHS had this completed last year

FINANCIAL HIGHLIGHTS (Continued)

- New Grants received during the FY2018 school year:

  - Health Living Grant of $40,000 for Parent Education and Engagement; Focus on Improving Exercise/Nutrition; Substance Abuse, Tobacco and Alcohol Prevention Education
  - Title I School Improvement Summer Novice Reduction for summer 2018 - $50,000 for the Dayton Middle and High School
  - Title I School Improvement grant totaling $692,145 for three years beginning in FY2018

- General Fund carryover of $1,677,000 as of 6/30/2018

- Food Service fund will be purchasing several pieces of equipment to help expend some of the funds, as required by the KY Department of Education

- Board entered into a contract with Silver Grove Board of Education for a Personnel Exchange contract, whereas the finance officer and payroll clerk of Dayton Schools will provide services to Silver Grove Schools as necessary beginning March, 2018

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.

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 51 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, liabilities and deferred inflows exceeded assets and deferred outflows by $1,450,388 as of June 30, 2018.

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.

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2018 and 2017

The following is a summary of net position for the fiscal years ended June 30, 2018 and 2017.

	2018	2017
Current assets	$ 2,095,445	$ 2,569,752
Noncurrent assets	7,286,293	7,412,113
Total assets	9,381,738	9,981,865
Total deferred outflows	1,823,496	818,073
Current liabilities	562,927	898,365
Noncurrent liabilities	11,593,177	7,980,682
Total liabilities	12,156,104	8,879,047
Total deferred inflows	499,518	172,706
Net position		
Investment in capital assets (net of debt)	1,560,654	1,323,237
Restricted	(4,564,151)	(957,644)
Unassigned	1,553,109	1,382,592
Total net position	$ (1,450,388)	$ 1,748,185

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2018, were $8,719,232 net of inter-fund transfers, of $78,354.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being $923,039 more than budget or approximately 12% increase.
- General Fund actual expenditures were $8,632,036, net of inter-fund transfers of $26,085.
- General Fund actual expenditures were less than budgeted expenditures by $754,379.

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2018 and 2017.

	2018	2017
Revenues		
Program revenues		
Charges for services	$ 89,097	$ 92,880
Operating grants	2,920,413	2,538,123
Capital grants	460,281	442,690
Total grant revenues	3,469,791	3,073,693
General Revenues		
Taxes	2,293,447	2,216,007
Grants and entitlements	7,743,560	8,334,711
Earnings on investments	40,269	18,608
Miscellaneous	1,060,304	465,540
Total general revenues	11,137,580	11,034,866
Total revenues	14,607,371	14,108,559
Expenses		
Instructional	8,972,057	8,817,754
Student support services	813,260	681,647
Instructional support	570,248	448,105
District administration	515,480	463,860
School administration	755,224	678,672
Business support	485,421	470,845
Plant operations	1,099,899	874,862
Student transportation	157,414	111,085
Community service activities	139,835	178,697
Facilities acquisition and construction	3,488	-
Other	4,758	4,196
Debt services	196,344	186,729
Food service	763,495	721,349
Daycare service	66,613	65,640
Total expenses	14,543,535	13,703,440
Change in net position	$ 63,836	$ 405,119

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 $1,185,716 in contingency (13%). The cash balance for the beginning of the fiscal year was $2,344,957.

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and cash equivalents	$ 1,652,940	$ 197,731	$ 1,850,671
Accounts receivable	235,280	3,723	239,003
Inventories for consumption	-	5,771	5,771
Total current	1,888,220	207,225	2,095,445
Noncurrent:			
Nondepreciated capital assets:			
Land	164,025	-	164,025
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	13,036,039	165,279	13,201,318
Furniture and equipment	1,710,392	299,750	2,010,142
Less: accumulated depreciation	(7,870,894)	(318,055)	(8,188,949)
Total noncurrent	7,139,319	146,974	7,286,293
Total assets	9,027,539	354,199	9,381,738
Deferred outflows	1,746,367	77,129	1,823,496
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	365,245	-	365,245
Accounts payable	128,152	3,573	131,725
Accrued interest	43,022	-	43,022
Current portion of accrued sick leave	5,471	-	5,471
Accrued payroll and related expenses	17,464	-	17,464
Total current	559,354	3,573	562,927
Noncurrent:			
Accrued sick leave	49,236	-	49,236
CERS net pension liability	2,585,486	110,957	2,696,443
MIF net OPEB liability	3,343,612	143,492	3,487,104
Bond obligations	5,360,394	-	5,360,394
Total noncurrent	11,338,728	254,449	11,593,177
Total liabilities	11,898,082	258,022	12,156,104
Deferred inflows	478,963	20,555	499,518
Net Position			
Invested in capital assets, net of related debt	1,413,680	146,974	1,560,654
Restricted	(4,569,928)	5,777	(4,564,151)
Unrestricted	1,553,109	-	1,553,109
Total net position	$ (1,603,139)	$ 152,751	$ (1,450,388)

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide
Year Ended June 30, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (expense) Revenue and Changes in Net Position: Governmental Activities	Net (expense) Revenue and Changes in Net Position: Business-type Activities	Net (expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instructional	$ 8,972,057	$ -	$ 1,854,861	$ -	$ (7,117,196)	$ -	$ (7,117,196)
Student support services	813,260	-	73,093	-	(740,167)	-	(740,167)
Staff support services	570,248	-	46,328	-	(523,920)	-	(523,920)
District administration	515,480	-	-	-	(515,480)	-	(515,480)
School administration	755,224	-	-	-	(755,224)	-	(755,224)
Business support services	485,421	-	54,525	-	(430,896)	-	(430,896)
Plant operation and maintenance	1,099,899	-	75,211	-	(1,024,688)	-	(1,024,688)
Student transportation	157,414	-	416	-	(156,998)	-	(156,998)
Food Service	4,758	-	-	-	(4,758)	-	(4,758)
Community service operations	139,835	-	129,036	-	(10,799)	-	(10,799)
Facility acquisition and construction	3,488	-	-	460,281	456,793	-	456,793
Interest on long-term debt	196,344	-	-	-	(196,344)	-	(196,344)
Total governmental activities	13,713,427	-	2,233,470	460,281	(11,019,676)	-	(11,019,676)
Business-type activities							
Food service	763,495	40,232	678,817	-	-	(44,446)	(44,446)
Daycare	66,613	48,865	8,126	-	-	(9,622)	(9,622)
Total business-type activities	830,108	89,097	686,943	-	-	(54,068)	(54,068)
Total school district	$ 14,543,535	$ 89,097	$ 2,920,413	$ 460,281	(11,019,676)	(54,068)	(11,073,744)
			General revenues:				
			Taxes		2,293,447	-	2,293,447
			State and federal sources		7,743,560	-	7,743,560
			Investment earnings		36,351	3,918	40,269
			Miscellaneous		1,056,603	3,306	1,059,909
			Special items:				
			Gain on sale of assets		395	-	395
			Fund transfer		35,675	(35,675)	-
			Total general and special revenues		11,166,031	(28,451)	11,137,580
			Change in net position		146,355	(82,519)	63,836
			Net position - beginning		1,378,669	369,516	1,748,185
			Net position adjustment (Note 18)		(3,128,163)	(134,246)	(3,262,409)
			Net position - ending		$ (1,603,139)	$ 152,751	$ (1,450,388)

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Balance Sheet – Governmental Funds
As of June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current:				
Cash (cash overdraft) and cash equivalents	$ 1,663,683	$ (76,549)	$ 65,806	$ 1,652,940
Accounts receivable	50,495	184,785	-	235,280
Total assets	$ 1,714,178	$ 108,236	$ 65,806	$ 1,888,220
Liabilities				
Current:				
Accounts payable	$ 19,916	$ 108,236	$ -	$ 128,152
Accrued payroll and related expenses	17,464	-	-	17,464
Total current	37,380	108,236	-	145,616
Fund Balances				
Restricted:				
Capital projects	-	-	65,806	65,806
Assigned	25,960	-	-	25,960
Unassigned	1,650,838	-	-	1,650,838
Total fund balances	1,676,798	-	65,806	1,742,604
Total liabilities and fund balances	$ 1,714,178	$ 108,236	$ 65,806	$ 1,888,220

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, 2018

Total governmental fund balance		$ 1,742,604
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	15,010,213	
Accumulated depreciation	(7,870,894)	
		7,139,319
Deferred outflows		
CERS contributions made after the measurement date	228,694	
MIF contributions made after the measurement date	311,204	
Related to pensions	1,206,469	
		1,746,367
Deferred inflows related to pensions	(400,829)	
Deferred inflows related to MIF	(78,134)	
		(478,963)
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	(5,725,639)	
Accrued interest on bonds	(43,022)	
Net pension liability	(2,585,486)	
Net OPEB liability	(3,343,612)	
Accrued sick leave	(54,707)	
		(11,752,466)
Net position for governmental activities		$ (1,603,139)

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, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 2,188,197	$ -	$ 105,250	$ 2,293,447
Earnings on investments	32,788	-	3,563	36,351
State sources	6,368,366	747,634	460,281	7,576,281
Federal sources	50,565	1,204,136	-	1,254,701
Other sources	79,316	281,700	17,193	378,209
Total revenues	8,719,232	2,233,470	586,287	11,538,989
Expenditures				
Instructional	4,657,465	1,869,519	13,375	6,540,359
Student support services	737,585	73,093	-	810,678
Staff support services	523,052	46,328	779	570,159
District administration	509,683	-	-	509,683
School administration	755,224	-	-	755,224
Business support services	430,896	54,525	-	485,421
Plant operation and maintenance	834,923	75,211	-	910,134
Student transportation	136,624	416	-	137,040
Food service operation	4,758	-	-	4,758
Community service operations	10,799	129,036	-	139,835
Facility acquisition and construction	3,488	-	235,989	239,477
Debt service:				
Principal	25,647	-	337,590	363,237
Interest	1,892	-	196,689	198,581
Total expenditures	8,632,036	2,248,128	784,422	11,664,586
Excess (deficit) of revenues over expenditures	87,196	(14,658)	(198,135)	(125,597)
Other financing sources (uses)				
Proceeds from sale of assets	395	-	-	395
Operating transfers in	78,354	17,521	378,792	474,667
Operating transfers out	(26,085)	(2,863)	(410,044)	(438,992)
Total other financing sources (uses)	52,664	14,658	(31,252)	36,070
Net change in fund balance	139,860	-	(229,387)	(89,527)
Fund balance, July 1, 2017	1,536,938	-	295,193	1,832,131
Fund balance, June 30, 2018	$ 1,676,798	$ -	$ 65,806	$ 1,742,604

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, 2018

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

Net changes-governmental funds		$	(89,527)
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	(384,531)		
Capital outlays	275,050		
			(109,481)
Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.			
Bond principal paid	363,237		
			363,237
Deferred outflows related to pensions			648,890
Deferred outflows related to other post-employment retirement benefits			311,204
Deferred inflows related to pensions			(234,836)
Deferred inflows related to other post-employment retirement benefits			(78,134)
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.			
			(664,998)
Changes in net position of governmental activities		$	146,355

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, 2018

	Food Service	Daycare Fund	Total
Assets			
Current			
Cash (cash overdraft) and cash equivalents	$ 197,946	$ (215)	$ 197,731
Accounts receivable	3,508	215	3,723
Inventories for consumption	5,771	-	5,771
Total current	207,225	-	207,225
Noncurrent			
Buildings and Improvements	117,379	47,900	165,279
Furniture and Fixtures	299,750	-	299,750
Less: accumulated depreciation	(272,550)	(45,505)	(318,055)
Total noncurrent	144,579	2,395	146,974
Total assets	351,804	2,395	354,199
Deferred outflows	77,129	-	77,129
Liabilities and Net Position			
Liabilities			
Current			
Accounts payable	3,573	-	3,573
Total current	3,573	-	3,573
Noncurrent			
MIF net OPEB liability	143,492	-	143,492
CERS net pension liability	110,957	-	110,957
Total noncurrent	254,449	-	254,449
Total liabilities	258,022	-	258,022
Deferred inflows	20,555	-	20,555
Net Position			
Invested in assets, net of debt	144,579	2,395	146,974
Restricted - net position	5,777	-	5,777
Total net position	$ 150,356	$ 2,395	$ 152,751

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, 2018**

	Food Service	Daycare Fund	Total
Operating revenues			
Lunchroom sales	$ 40,232	$ -	$ 40,232
Other operating revenues	3,306	48,865	52,171
Total operating revenues	43,538	48,865	92,403
Operating expenses			
Salaries and benefits	373,520	-	373,520
Contract services	43,745	65,255	109,000
Materials and supplies	326,796	390	327,186
Depreciation	16,733	958	17,691
Other operating expenses	2,701	10	2,711
Total operating expenses	763,495	66,613	830,108
Operating loss	(719,957)	(17,748)	(737,705)
Nonoperating revenues (expenses)			
Federal grants	570,320	-	570,320
State grants	66,481	8,126	74,607
Donated commodities and other donations	42,016	-	42,016
Transfers	(44,239)	8,564	(35,675)
Interest income	3,918	-	3,918
Total nonoperating revenues	638,496	16,690	655,186
Net change in fund balance	(81,461)	(1,058)	(82,519)
Total net position, July 1, 2017	366,063	3,453	369,516
Net position adjustment	(134,246)	-	(134,246)
Total net position, June 30, 2018	$ 150,356	$ 2,395	$ 152,751

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, 2018

	Food Service Fund	Daycare Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	$ 40,232	$ -	$ 40,232
Cash received from other activities	8,627	48,865	57,492
Cash payments to employees for services	(369,518)	-	(369,518)
Cash payments to suppliers for goods and services	(375,901)	(65,770)	(441,671)
Cash transfers	(44,239)	8,564	(35,675)
Net cash used in operating activities	(740,799)	(8,341)	(749,140)
Cash flows from capital financing activities			
Purchase of capital assets	(1,352)	-	(1,352)
Net cash used in capital financing activities	(1,352)	-	(1,352)
Cash flows from noncapital financing activities			
Non-operating revenues received	678,817	8,126	686,943
Net cash provided by noncapital financing activities	678,817	8,126	686,943
Cash flows from investing activities			
Interest on investments	3,918	-	3,918
Net cash flows provided by investing activities	3,918	-	3,918
Net increase in cash and cash equivalents	(59,416)	(215)	(59,631)
Cash and cash equivalents - beginning	257,362	-	257,362
Cash (cash overdraft) and cash equivalents - ending	$ 197,946	$ (215)	$ 197,731
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (719,957)	$ (17,748)	$ (737,705)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	16,733	958	17,691
Transfers	(44,239)	8,564	(35,675)
Changes in assets and liabilities:			
Increase in deferred outflows	(45,329)	-	(45,329)
Increase in deferred inflows	13,842	-	13,842
Increase in CERS net pension liability	26,243	-	26,243
Increase in CERS net OPEB liability	9,246	-	9,246
Decrease in accounts payable	(1,860)	-	(1,860)
Decrease (increase) in accounts receivable	5,321	(115)	5,206
Increase in inventories	(799)	-	(799)
Net cash used in operating activities	$ (740,799)	$ (8,341)	$ (749,140)
Schedule of non-cash transactions:			
Donated commodities received from federal government	$ 42,016	$ -	$ 42,016
On-behalf payments	$ 60,664	$ -	$ 60,664

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position
As of June 30, 2018

	School Activity Funds	Total
Assets		
Cash and cash equivalents	$ 144,762	$ 144,762
Total assets	$ 144,762	$ 144,762
Liabilities		
Due to student groups	$ 144,762	$ 144,762
Total liabilities	$ 144,762	$ 144,762

The accompanying notes are an integral part of these 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.

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. <u>Governmental Fund Types</u>

(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 page 70. This is a major fund of the District.

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.

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.

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

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:

Description	Governmental Activities Estimated Lives
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.

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.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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, 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Land	$ 160,725	$ 3,300	$ -	$ 164,025
Land improvements	99,757	-	-	99,757
Buildings and improvements	11,495,510	1,540,529	-	13,036,039
Technology equipment	922,934	28,405	13,958	937,381
Vehicles	482,685	-	-	482,685
General equipment	238,888	51,438	-	290,326
Construction work in progress	1,348,622	235,989	1,584,611	-
Totals at historical cost	14,749,121	1,859,661	1,598,569	15,010,213
Less: accumulated depreciation				
Land improvements	80,815	2,368	-	83,183
Buildings and improvements	6,030,013	340,104	-	6,370,117
Technology equipment	791,075	8,540	13,958	785,657
Vehicles	419,897	20,374	-	440,271
General equipment	178,521	13,145		191,666
Total accumulated depreciation	7,500,321	384,531	13,958	7,870,894
Governmental activities capital assets - net	$ 7,248,800	$ 1,475,130	$ 1,584,611	$ 7,139,319
Business - Type Activities				
Buildings and improvements	$ 165,279	$ -	$ -	$ 165,279
Vehicles	4,000	-	-	4,000
Technology equipment	9,777	-	445	9,332
General equipment	285,066	1,352	-	286,418
Totals at historical cost	464,122	1,352	445	465,029
Less: accumulated depreciation				
Buildings and improvements	125,540	3,306	-	128,846
Vehicles	4,000	-	-	4,000
Technology equipment	9,777	-	445	9,332
General equipment	161,492	14,385	-	175,877
Total accumulated depreciation	300,809	17,691	445	318,055
Business - type activities capital assets - net	$ 163,313	$ (16,339)	$ -	$ 146,974

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2018 was as follows:

	Governmental	Business-Type
Instructional	$ 156,258	$ -
Student support services	2,582	-
Staff support services	89	-
District administration	5,797	-
Plant operation and maintenance	199,431	-
Student transportation	20,374	-
Food service	-	16,733
Daycare	-	958
Total	$ 384,531	$ 17,691

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, 2018 this amount totaled approximately $54,707 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, 2018.

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

Year Ending June 30,	
2018-2019	$ 14,571
Total minimum payments	$ 14,571
Less amount representing interest	-
Present value of net minimum lease payments	$ 14,571

NOTE 7 BONDED DEBT

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

Issue Date	Proceeds	Rates
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 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 15 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, 2018 for debt service (principal and interest) are reported in Note 15.

NOTE 8 CONTINGENCIES

<u>Grant Fund Approval</u>

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

NOTE 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	$	1,058
Construction Fund		232,426
Food Service		81,461

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).

NOTE 13 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue Fund	Matching	$ 17,521
Special Revenue Fund	General Fund	Indirect Cost Transfer	2,863
Capital Outlay Fund	Debt Service Fund	Debt Service	52,175
Capital Outlay Fund	General Fund	Operating	31,252
Building Fund	Debt Service Fund	Debt Service	326,617
Food Service Fund	General Fund	Indirect Cost Transfer	44,239
General Fund	Day Care Fund	Operating	8,564

NOTE 14 ON-BEHALF PAYMENTS

For the year ended June 30, 2018 total payments of $2,499,196 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	$ 2,274,919
Debt Service	155,487
Day Care	8,126
Food Service	60,664
Total On-Behalf	$ 2,499,196

NOTE 15 SCHEDULE OF LONG-TERM OBLIGATIONS

2009R, 2009, 2009 KISTA, 2011, 2011 KISTA, 2013, 2016

Fiscal Year	Dayton Independent School District			KY School Facilities Construction Commission			
	Principal	Interest	Total	Principal	Interest	Total	Total Requirements
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
	$ 4,704,160	$ 1,470,711	$ 6,174,871	$ 1,021,479	$ 261,436	$ 1,282,915	$ 7,457,786

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, 2018 is as follows:

Governmental Activities	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Bond Obligations	$ 6,088,876	$ -	$ 363,237	$ 5,725,639
Sick Leave Liability	$ 84,121	$ 8,193	$ 37,607	$ 54,707

NOTE 16 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

Contributions

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

	Required contribution
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, 2018, was $302,900, which consisted of $238,509 from the District and $64,391 from the employees. Total contributions for the year ended June 30, 2017 and 2016 were $270,755 and $238,533, respectively. The contributions have been contributed in full for fiscal years 2018, 2017 and 2016.

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.

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided

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

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

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

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 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, 2018, was $834,558, which consisted of $217,120 from the District and $617,438 from the employees. Total contributions for the year ended June 30, 2017 and 2016 were $814,692 and $804,964, respectively. The contributions have been contributed in full for fiscal years 2018, 2017 and 2016.

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

Medical Insurance Plan

Plan description

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

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

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% 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.

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, 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	$ 2,696,443
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	37,116,653
	$ 39,813,096

The net pension liability for each plan was measured as of June 30, 2017, 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, 2017, the District’s proportion was 0.046067% percent.

NOTE 16 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2018, the District recognized pension expense of $762,434 related to CERS and $1,323,403 related to KTRS. The District also recognized revenue of $1,323,403 for KTRS support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 21,048	$ 68,447
Net difference between projected and actual earnings on pension plan investments	388,347	245,003
Changes of Assumptions	712,399	-
Changes in proportion and differences between employer contributions and proportinate share of contribution	136,451	104,581
District contributions subsequent to the measurement date	238,509	-
Total	$ 1,496,754	$ 418,031

$238,509 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 184,434
2020	184,434
2021	216,834
2022	156,466
2023	98,048

NOTE 16 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5 - 7.3%
Investment rate of return, net of investment expense and inflation	6.25%	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

NOTE 16 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	42%	4.40%	18%	5.97%
International equity	20%	5.30%	18%	7.85%
Global bonds			4%	2.63%
Global credit			2%	3.63%
Emerging market debt			5%	5.50%
Private equity	6%	6.70%	10%	8.25%
Core US fixed income				
High yield			7%	5.97%
Non-US fixed incomes				
Commodities				
TIPS				
Fixed income	16%	1.50%		
Real return (diversified inflation strategies)			10%	6.13%
Additional categories	9%	3.60%		
Real estate	5%	4.40%	5%	7.63%
Private credit			10%	8.75%
Absolute return (diversified hedge funds)			10%	5.63%
Alternatives				
Cash	2%	0.08%	2%	1.88%
Total	100%		100%	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.25%. 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 6.25%. 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 4.49%. 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 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. 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.

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	3,400,798	2,696,443	2,107,256
KTRS	3.49%	4.49%	5.49%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 17 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Dayton Independent School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statues and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/financial-reports-information.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

NOTE 17 OPEB PLANS (CONTINUED)

Medical Insurance Plan

Plan description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

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/.

NOTE 17 OPEB PLANS (CONTINUED)

Benefits

CERS provides 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. See footnote 16 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in footnote 16.

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

At June 30, 2018, the Dayton Independent School District reported a liability of $2,561,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.13 percent for TRS and 0.05 percent for CERS, which was the same as it's proportion measured as of June 30, 2016.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the CERS net OPEB liability	$	926,104
District's proportionate share of the TRS net OPEB liability		2,561,000
State's proportionate share of the net OPEB liability associated with the District		2,092,000
	$	5,579,104

NOTE 17 OPEB PLANS (CONTINUED)

For the year ended June 30, 2018, the District recognized OPEB expense of $1,689,972 and revenue of $101,740 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	$ -	$ 2,572
Net difference between projected and actual earnings on OPEB plan investments	-	76,767
Change of Assumptions	201,514	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,148
District contributions subsequent to the measurement date	176,098	-
Total	$ 377,612	$ 81,487

Of the total amount reported as deferred outflows of resources related to OPEB, $176,098 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	$ 24,005
2020	24,005
2021	24,005
2022	24,005
2023	24,005

NOTE 17 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	2.30%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	2.00%
Healthcare cost trend rates		
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029	
Municipal Bond Index Rate	3.56%	3.56%
Discount Rate	8.00%	5.84%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back 1 year for females.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

NOTE 17 OPEB PLANS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

**Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate

For TRS, the discount rate used to measure the total OPEB liability was 8.00%. 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For CERS, the discount rate used to measure the total OPEB liability was 5.84%. 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 17 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS			
Districts' net OPEB liability	$ 2,982,054	$ 2,561,000	$ 2,210,397

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
CERS			
Districts' net OPEB liability	$ 1,178,416	$ 926,104	$ 716,141

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Trend Rate	1% Increase
TRS			
Districts' net OPEB liability	$ 2,144,899	$ 2,561,000	$ 3,074,521

	1% Decrease	Current Trend Rate	1% Increase
CERS			
Districts' net OPEB liability	$ 710,370	$ 926,104	$ 1,206,547

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

NOTE 17 OPEB PLANS (CONTINUED)

Benefits provided

TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

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

At June 30, 2018, the Dayton Independent School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$	-
State's proportionate share of the net OPEB liability associated with the District		28,000
	$	28,000

For the year ended June 30, 2018, the District recognized OPEB expense of $-0- and revenue of $1,226 for support provided by the State.

NOTE 17 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

NOTE 17 OPEB PLANS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

***Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate

The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Districts' net OPEB liability	$ -	$ -	$ -

NOTE 17 OPEB PLANS (CONTINUED)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", as they relate to governments that provide postemployment benefits through health insurance plans administered as trust or similar arrangements that meet certain criteria. GASB 75 requires governments providing defined benefit postemployment benefits to recognize their long-term obligation for benefits. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a $3,262,409 reduction in the beginning net position on the Statement of Activities.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through November 14, 2018, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

DAYTON INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2018

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Non-major Government Funds
Assets						
Current:						
Cash and cash equivalents	$ -	$ -	$ 24,935	$ -	$ 40,871	$ 65,806
Total current	$ -	$ -	$ 24,935	$ -	$ 40,871	$ 65,806
Liabilities and Fund Balances						
Fund Balances:						
Restricted	-	-	24,935	-	40,871	65,806
Total fund balances	-	-	24,935	-	40,871	65,806
Total liabilities and fund balances	$ -	$ -	$ 24,935	$ -	$ 40,871	$ 65,806

DAYTON INDEPENDENT SCHOOL DISTRICT

Combining Statements of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds As of June 30, 2018

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	$ -	$ 105,250	$ -	$ -	$ -	$ 105,250
Earnings on investments	-	-	3,563	-	-	3,563
State sources	83,427	221,367	-	155,487	-	460,281
Other sources	-	-	-	-	17,193	17,193
Total revenues	83,427	326,617	3,563	155,487	17,193	586,287
Expenditures:						
Instructional	-	-	-	-	13,375	13,375
Staff support services	-	-	-	-	779	779
Facility acquisition and construction	-	-	235,989	-	-	235,989
Debt service:						
Principal	-	-	-	337,590	-	337,590
Interest	-	-	-	196,689	-	196,689
Total expenditures	-	-	235,989	534,279	14,154	784,422
Excess (deficit) of revenues over expenditures	83,427	326,617	(232,426)	(378,792)	3,039	(198,135)
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	378,792	-	378,792
Operating transfers out	(83,427)	(326,617)	-	-	-	(410,044)
Total other financing sources(uses)	(83,427)	(326,617)	-	378,792	-	(31,252)
Net change in fund balance	-	-	(232,426)	-	3,039	(229,387)
Fund balance, June 30, 2017	-	-	257,361	-	37,832	295,193
Fund balance, June 30, 2018	$ -	$ -	$ 24,935	$ -	$ 40,871	$ 65,806

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ 2,116,021	$ 2,116,021	$ 2,188,197	$ 72,176
Earnings on investments	8,000	8,000	32,788	24,788
State sources	5,632,313	5,632,313	6,368,366	736,053
Federal sources	12,956	12,956	50,565	37,609
Other sources	74,401	105,652	158,065	52,413
Total revenues	7,843,691	7,874,942	8,797,981	923,039
Expenditures				
Instructional	4,382,179	4,379,354	4,657,465	(278,111)
Student support services	603,228	605,672	737,585	(131,913)
Staff support services	457,735	458,735	523,052	(64,317)
District administration	523,846	523,846	509,683	14,163
School administration	684,827	684,827	755,224	(70,397)
Business support services	461,437	461,437	430,896	30,541
Plant operation and maintenance	882,150	913,402	834,923	78,479
Student transportation	132,580	132,580	136,624	(4,044)
Food service operation	7,844	7,844	4,758	3,086
Community service operations	11,030	11,030	10,799	231
Facility acquisition and construction	3,300	3,300	3,488	(188)
Debt service:				
Principal	27,537	27,537	25,647	1,890
Interest	-	-	1,892	(1,892)
Other	1,202,936	1,202,936	26,085	1,176,851
Total expenditures	9,380,629	9,412,500	8,658,121	754,379
Net change in fund balance	(1,536,938)	(1,537,558)	139,860	1,677,418
Fund balance, July 1, 2017	1,536,938	1,536,938	1,536,938	-
Fund balance, June 30, 2018	$ -	$ (620)	$ 1,676,798	$ 1,677,418

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	$ 668,563	$ 719,698	$ 747,634	$ 27,936
Federal sources	832,363	1,565,673	1,204,136	(361,537)
Other sources	34,820	34,820	299,221	264,401
Total revenues	1,535,746	2,320,191	2,250,991	(69,200)
Expenditures				
Instructional	1,215,892	2,015,032	1,869,519	145,513
Student support services	73,175	73,175	73,093	82
Staff support services	75,453	55,956	46,328	9,628
Business support services	42,340	42,340	54,525	(12,185)
Student transportation	-	1,358	416	942
Community service operations	128,886	129,886	129,036	850
Other	-	2,444	2,863	(419)
Total expenditures	1,535,746	2,320,191	2,250,991	69,200
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2017	-	-	-	-
Fund balance, June 30, 2018	$ -	$ -	$ -	$ -

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
Year Ended June 30, 2018

	Issue of 2008 KISTA	Issue of 2009R	Issue of 2009	Issue of 2009 KISTA	Issue of 2011
Cash at July 1, 2017	$ -	$ -	$ -	$ -	$ -
Receipts:					
Transfers and miscellaneous deposits	9,163	165,694	152,834	21,767	55,063
Disbursements:					
Bonds paid	8,832	155,000	90,000	20,762	20,000
Interest coupons	331	10,694	62,834	1,005	35,063
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	9,163	165,694	152,834	21,767	55,063
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2018	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund Balance at June 30, 2018	$ -	$ -	$ -	$ -	$ -

	Issue of 2011 KISTA	Issue of 2013	Issue of 2016	Total
Cash at July 1, 2017	$ -	$ -	$ -	$ -
Receipts:				
Transfers and miscellaneous deposits	9,819	64,375	83,100	561,815
Disbursements:				
Bonds paid	8,643	25,000	35,000	363,237
Interest coupons	1,176	39,375	48,100	198,578
Transfers and miscellaneous	-	-	-	-
Call fee	-	-	-	-
Total disbursements	9,819	64,375	83,100	561,815
Excess of receipts over disbursements	-	-	-	-
Cash at June 30, 2018	-	-	-	-
Accounts Receivable and Payable				
Matured interest and bonds outstanding	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Total accounts receivable and payable	-	-	-	-
Fund Balance at June 30, 2018	$ -	$ -	$ -	$ -

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2018

	Fund Balance July 1, 2017	Receipts	Disbursements	Fund Balance June 30, 2018
3D printer club	$ 337	$ -	$ -	$ 337
7th grade account	539	-	186	353
8th grade account	233	-	-	233
Academic Team	123	-	-	123
After Prom	954	2,597	3,190	361
All A classic girls basketball tournament	-	4,222	4,222	-
Alumni Association	-	74	-	74
Angie Buschles community based account	244	1,439	1,014	669
Annual Yearbook	993	1,027	1,729	291
Art club	690	691	664	717
Art department	-	210	210	-
Athletic Booster club	10,966	27,843	27,027	11,782
Athletic fundraiser transportation	-	3,250	-	3,250
Athletics	19,118	7,254	4,565	21,807
Band	75	923	82	916
Band fundraiser transportation	-	53	-	53
Barry Binkley Benches	-	2,800	-	2,800
Baseball	-	2,000	2,000	-
Baseball fundraiser	1,000	1,175	1,103	1,072
Bowling	-	1,280	1,280	-
Bowling fundraiser	254	100	24	330
Boys basketball	-	7,035	7,035	-
Boys basketball fundraiser	2,433	12,997	11,551	3,879
Boys cross county	-	407	407	-
Boys golf	-	-	-	-
Boys golf fundraiser	-	-	-	-
Boys track	-	3,426	3,426	-
Business department	-	7	7	-
C.A.K.E.	6,135	1,206	94	7,247
Cheerleading	-	92	92	-
Cheerleading fundraiser	2,919	1,316	3,530	705
Class of 2016	66	-	66	-
Class of 2017	1,116	42	1,088	70
Class of 2018	2,423	-	631	1,792
Class of 2019	1,060	7,471	6,526	2,005
Class of 2020	-	3,460	1,251	2,209
Class of 2021	-	1,915	1,600	315
Coke	2,037	2,178	1,218	2,997
Color/Winter guard	-	224	207	17
Cross country fundraiser	1,349	146	120	1,375
Dance team fundraiser	-	-	-	-
DECA	111	-	-	111
District Basketball Tournament	-	-	-	-
Drama	51	-	-	51
Earth club	257	-	257	-
Edmentum	-	1,728	1,728	-
English department	-	12	12	-
FBLA	85	-	-	85
Fellowship of Christian athletes	9	-	-	9
Football	-	19,102	19,102	-
Football fundraiser	5,483	7,713	7,714	5,482
Future educators association	25	474	474	25
Girls basketball	-	4,348	4,348	-
Girls basketball fundraiser	4,376	6,552	8,428	2,500

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2018
(Continued)

	Fund Balance July 1, 2017	Receipts	Disbursements	Fund Balance June 30, 2018
Girls cross country	-	357	357	-
Girls golf	-	-	-	-
Girls golf fundraiser	-	-	-	-
Girls soccer	-	2,467	2,467	-
Girls track	-	2,942	2,942	-
Golf outing	650	12,868	13,518	-
Green zone	164	-	-	164
Guidance department	-	494	237	257
High school field trips	610	1,288	1,266	632
High school newspaper	-	-	-	-
High school science club	-	-	-	-
High school student council	167	-	-	167
Library	249	912	462	699
Math department	-	43	43	-
Middle school basketball tournament	-			-
Middle school basketball fundraiser	194	-	194	-
Middle school cheerleading	-	48	48	-
Middle school cheerleading fundraiser	783	1,359	1,817	325
Middle school dance	2,118	574	548	2,144
Middle school field trips	568	2,343	2,244	667
Middle school girls basketball fundraiser	1,057	-	35	1,022
Middle school holiday basketball tournamei	-	19,128	19,128	-
Middle school robotics	300	-	-	300
Middle school science club	1,478	-	598	880
Middle school student council	131	-	-	131
National honor society	191	2,402	2,300	293
National Jr. honor society	565	-	-	565
Principals account	7,010	6,174	3,389	9,795
Read 180	-	-	-	-
River City classic volleyball tournament	-	2,026	2,026	-
Scholarships	21,250	17,045	22,360	15,935
School agendas	-	668	668	-
Science department	-	315	315	-
Senior banquet	574	500	423	651
Senior trip	875	4,720	3,875	1,720
Soccer fundraiser	1,783	1,556	1,683	1,656
Social studies department	-	-	-	-
Softball	-	3,755	3,755	-
Softball fundraiser	1,851	3,788	3,360	2,279
Special education department	-	-	-	-
Staff flower fund	256	-	56	200
Student/teacher incentives	507	-	180	327
Track fundraiser	1,064	3,569	4,113	520
Transcript fees	944	203	108	1,039
Volleyball	-	4,311	4,311	-
Volleyball fundraiser	2,624	6,223	4,677	4,170
Washington D.C. trip	2,457	-	-	2,457
Weight room	-	-	-	-
Youth league basketball	-	28,405	28,405	-
Youth service center	3,965	2,948	2,759	4,154
Total	$ 119,846	$ 272,220	$ 262,875	$ 129,191

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
Year Ended June 30, 2018

	Lincoln Elementary	Total
Fund balances at July 1, 2017	$ 9,927	$ 9,927
Add: receipts	94,749	94,749
Less: disbursements	(89,105)	(89,105)
Fund balance at June 30, 2018	$ 15,571	$ 15,571

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability - KTRS
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability	0%	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	37,116,653	40,720,474	30,776,138	29,749,812	*	*	*	*	*	*
Total	$37,116,653	$40,720,474	$30,776,138	$29,749,812	*	*	*	*	*	*
District's covered-employee payroll	$ 4,670,750	$ 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%	0%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	39.83%	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.

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - KTRS
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 217,120	$ 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	(217,120)	(214,496)	(209,888)	(193,387)	(145,458)	(116,304)	(99,188)	*	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	*	*	*
District's covered-employee payroll	$ 4,803,543	$ 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	4.52%	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
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of net pension liability	0.046067%	0.044263%	0.047081%	0.044647%	*	*	*	*	*	*
District's proportionate share of the net pension liability	$ 2,696,443	$ 2,179,334	$ 2,024,238	$ 1,449,000	*	*	*	*	*	*
Total net pension liability	$ 5,853,307,482	$ 4,923,618,237	$ 4,299,525,565	$ 3,244,377,000	*	*	*	*	*	*
District's covered-employee payroll	$ 1,123,109	$ 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	240.1%	205.5%	192.3%	142.3%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.30%	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 asumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scall BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disable Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017
- The assumed investment rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary growth was reduced from 4.00% to 3.05%.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - CERS
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 238,509	$ 209,010	$ 180,927	$ 185,267	$ 203,855	$ 212,912	$ 204,976	*	*	*
Contributions in relation to the contractually required contribution	(238,509)	(209,010)	(180,927)	(185,267)	(203,855)	(212,912)	(204,976)	*	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	*	*	*
District's covered-employee payroll	$ 1,243,533	$ 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	19.18%	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 District's Proportionate Share of Net OPEB Liability – LIF
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective trust OPEB liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	28,000	*	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 28,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 6,047,076	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	*	*	*	*	*	*	*	*	*

* 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.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Market value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ -	*	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	*	*	*	*	*	*	*	*	*
Contribution deficiency	-	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 6,047,076	*	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	*	*	*	*	*	*	*	*	*

* 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 District's Proportionate Share of Net OPEB Liability – MIF
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective trust OPEB liability	0.071819%	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ 2,561,000	*	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	$ 2,092,000	*	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 3,565,782,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 6,047,076	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	42.4%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	*	*	*	*	*	*	*	*	*

* 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 - With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 123,045	*	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(123,045)	*	*	*	*	*	*	*	*	*
Contribution deficiency	-	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 6,047,076	*	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	2.03%	*	*	*	*	*	*	*	*	*

* 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.

Changes of benefit terms - With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF (CERS)
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective trust OPEB liability	0.046067%	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ 926,104	*	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	$ -	*	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 926,104	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 1,123,109	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	82.5%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	*	*	*	*	*	*	*	*	*

* 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 in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)
Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 53,053	*	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(53,053)	*	*	*	*	*	*	*	*	*
Contribution deficiency	-	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 1,243,533	*	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.27%	*	*	*	*	*	*	*	*	*

* 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, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2018
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 17	2,446
Special Education_Grants to States	84.027	3810002 18	277,631
Special Education_Preschool Grants	84.173	3800002 17	303
Special Education_Preschool Grants	84.173	3800002 18	30,275
Total Special Education Cluster			310,655
Title I Grants to Local Educational Agencies	84.010	3100002 17	17,821
Title I Grants to Local Educational Agencies	84.010	3100002 18	406,660
Title I Grants to Local Educational Agencies	84.010A	3100202 17	28,985
Title I Grants to Local Educational Agencies	84.010A	3100202 18	33,787
Total CFDA # 84.010			487,253
Title II Improving Teacher Quality State Grants	84.367	3230002 17	8,879
Title II Improving Teacher Quality State Grants	84.367	3230002 18	48,153
Total CFDA # 84.367			57,032
Title I, School Improvement Grants	84.377	3100002 14	96,720
Title I, School Improvement Grants	84.377	3100002 17	210,559
Total CFDA # 84.377			307,279
Title IV, Part A Student Support and Academic Enrichment	84.424	3420002 17	4,413
RTT - Early Care & Ed Childcare Provider Quality Improvement	84.412	N/A	30,000
Passed through the Walton-Verona Independent School District			
Career and technical Education -Basic Grants to States	84.048	348C	7,504
Total U.S. Department of Education			1,204,136
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	7750002 17	69,864
National School Lunch Program	10.555	7750002 18	314,427
School Breakfast Program	10.553	7760005 17	20,831
School Breakfast Program	10.553	7760005 18	94,871
Summer Food Program	10.559	7690024 17	1,424
Summer Food Program	10.559	7740023 17	13,873
Passed through Kentucky Department of Agriculture			
National School Lunch Program - Food Donation	10.555	4000814	42,016
Total Child Nutrition Cluster			557,306
Passed through Kentucky Department of Education			
Child and Adult Care Food Program	10.558	7790021 17	8,210
Child and Adult Care Food Program	10.558	7790021 18	48,089
Child and Adult Care Food Program	10.558	7800016 17	591
Child and Adult Care Food Program	10.558	7800016 18	3,461
Total CFDA # 10.558			60,351
Total U.S. Department of Agriculture			617,657
Total Expenditures of Federal Awards			$ 1,821,793

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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, 2018, 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, 2018, the District reported food commodities expended in the amount of $42,016.

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, 2018.

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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, 2018, and the related notes to the financial statements, which collectively comprise Dayton Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2018.

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 78 to 79 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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2018

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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, 2018. 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, 2018.

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2018

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None noted
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None noted

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

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

Identification of major programs

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

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

Auditee qualified as low-risk auditee?	X	Yes		No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

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, 2018

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 14, 2018 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 14, 2018, on the financial statements of the Dayton Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Dayton High School

No matters are reportable

Lincoln Elementary

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
(Continued)
Year Ended June 30, 2018

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: There were no such instances noted in the current year.

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: There were no such instances noted in the current year.