

Dayton Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report**

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2019

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis (MD&A – Unaudited)	3-8
Basic Financial Statements:	
District Wide Financial Statements:	
Statement of Net Position - District Wide	9
Statement of Activities - District Wide	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position	18
Notes to the Financial Statements	19-51

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2019

Table of Contents (Continued)

Required Supplementary Information and Other information:

Combining Statements - Nonmajor Funds

Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	53
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund	54
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - Special Revenue Fund	55
Statement of Receipts, Disbursements and Fund Balance – Bond and Interest Redemption Funds	56
Statement of Receipts, Disbursements and Fund Balance – Dayton High School	57-59
Statement of Receipts, Disbursements and Fund Balance - School Activity Fund	60
Schedule of District's Proportionate Share of the Net Pension Liability - TRS	61
Schedule of District Contributions - TRS	62
Schedule of District's Proportionate Share of the Net Pension Liability – CERS	63
Schedule of District Contributions - CERS	64
Schedule of District's Proportionate Share of the Net OPEB Liability – LIF	65
Schedule of District Contributions – LIF	66
Schedule of District's Proportionate Share of the Net OPEB Liability – MIF	67
Schedule of District Contributions – MIF	68
Schedule of District's Proportionate Share of the Net OPEB Liability – MIF (CERS)	69
Schedule of District Contributions – MIF (CERS)	70
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards	72

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2019

Table of Contents (Continued)

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 <i>Government Auditing Standards</i>	73-74
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	75-76
Schedule of Findings and Questioned Costs	77-78
Management Letter Comments	79-80

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, 2019, 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, 2019, 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 61- 70 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, the statement of receipts and disbursements of bonds 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 October 30, 2019 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.



DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019

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, 2019. 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

- The board approved a 2% increase in tax revenues for the 2019 property taxes. This is a reduction from prior year of 4%. Assessment increased slightly with the latest Riverfront properties still progressing. Tax rate approved was 116.4 for real estate and personal property. The board did approve an Industrial Revenue Bond for the district which will provide revenue for the next 30 years. This is for the Tapestry project on the river.
- AADA at the close of the 2019 school year was 772.59 (kindergarten adjusted). This is slightly lower than the previous year ending in 2018, which was 777.14. Loss in SEEK funds close to \$18,000.
- CERS (Classified staff Retirement match) increased from 19.18% to 21.46% for the 2019 school year (\$19,375). CERS match will increase another 12% in the 2020 school year to 24.06%. The legislature and governor continue to discuss the ongoing pension crisis in the state.
- Medicaid Reimbursements were around \$69,000 for the FY19 school term, as we continue to bill Medicaid for services. This helps offset the costs of a Psychologist and additional Physical Therapy and Speech services. Medicaid reimbursements have increased over past years from 2015: \$28,536 to 2019: \$69,384
- Capital funds request in the amount of \$10,655 was approved to help pay for the Access Control System at Lincoln Elementary.
- The board continues to be committed to increasing teacher salaries to stay competitive with local districts. The board approved an increase of \$500 on the certified salary schedule in cells 0-3 years and in cells 20-30 years. This increase was added to the current 18-19 salary schedule. The Board also voted to give a one-time pay of \$500 to all fulltime employees. This will be added to the 2019-20 salary schedules.
- The board was able to fund the following during the 18-19 school term:
 - Psychologist services Contract
 - Special Ed Teacher and Instructional Assistant at the high school
 - Maintenance Dept a new Gator/Blade/Scraper
 - Helped fund a Band Trailer
 - Purchased a second Lot (one purchased in 2018) on Third St. The existing building was demolished.
 - Access Control System completed for Lincoln Elementary
 - Preschool Doors were replaced at Lincoln Elementary
 - Some major repairs to 3 school buses

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Board was awarded the following new grants for the FY19 school year:
 - McKinney Vento –Homeless grant – in collaboration with Southgate and Bellevue Schools – grant is for \$70,980 for three years. This helps fund a Families in Transition Coordinator, Supplies, Welfare for students; and Travel for training
 - River Country Readers grant – collaborating with Bellevue, Williamstown and Southgate. This is a three-year renewable grant. Dayton's share is \$186,632/year focusing on Literacy and to help fund our Library with Innovative Learning, including Makerspace.
 - Preschool Partnership grant was awarded for the 18-20 school years at \$148,500 each year
- Board contracted with Campbell Co. Schools to do the school bus and van inspections along with minor repairs.
- Board approved to complete a BG-1 form for a Guaranteed Energy Savings contract for \$1,005,000. The state approved and bond proceeds should be received in July 2019.
- Daycare increased their weekly tuition to help offset costs for the program as several employees in the district utilized this service and were willing to pay the increase in order to keep the Daycare open.
- E-sports was added to the sports programs at the high school. KHSAA Competitions will be held in-state.
- A donation was received to provide funding for two new water fountains at the high school and also one for the playground at Lincoln.
- Board contracted with Silver Grove for finance and payroll services during the year.
- General fund carryover of \$1,991,734 as of 6/30/19.

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.

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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.

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 \$1,077,663 as of June 30, 2019.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

DAYTON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2019 and 2018

The following is a summary of net position for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,322,062	\$ 2,095,445
Noncurrent assets	6,995,632	7,286,293
Total assets	<u>9,317,694</u>	<u>9,381,738</u>
Total deferred outflows	<u>2,370,128</u>	<u>1,874,366</u>
Current liabilities	509,097	562,927
Noncurrent liabilities	11,354,151	11,593,177
Total liabilities	<u>11,863,248</u>	<u>12,156,104</u>
Total deferred inflows	<u>902,237</u>	<u>499,518</u>
Net position		
Investment in capital assets (net of debt)	1,635,238	1,560,654
Restricted	(4,525,825)	(4,513,281)
Unassigned	1,812,924	1,553,109
Total net position	<u><u>\$ (1,077,663)</u></u>	<u><u>\$ (1,399,518)</u></u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2019, were \$9,119,644 net of inter-fund transfers, and sale of assets, of \$62,095 and \$4,233, respectively.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$532,509 more than budget or approximately 6% increase.
- General Fund actual expenditures were \$8,853,909, net of inter-fund transfers of \$17,127.
- General Fund actual expenditures were less than budgeted expenditures by \$1,434,245.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 113,240	\$ 89,097
Operating grants	2,591,011	2,920,413
Capital grants	472,915	460,281
Total grant revenues	<u>3,177,166</u>	<u>3,469,791</u>
General Revenues		
Taxes	2,615,600	2,293,447
Grants and entitlements	2,952,430	7,743,560
Earnings on investments	63,367	40,269
Miscellaneous	594,654	1,060,304
Total general revenues	<u>6,226,051</u>	<u>11,137,580</u>
Total revenues	<u>9,403,217</u>	<u>14,607,371</u>
Expenses		
Instructional	3,105,864	8,972,057
Student support services	853,421	813,260
Instructional support	698,484	570,248
District administration	555,290	515,480
School administration	773,651	755,224
Business support	493,661	485,421
Plant operations	1,112,672	1,099,899
Student transportation	156,090	157,414
Community service activities	140,033	139,835
Facilities acquisition and construction	42,302	3,488
Other	8,370	4,758
Debt services	184,860	196,344
Food service	828,696	763,495
Daycare service	77,099	66,613
Total expenses	<u>9,030,492</u>	<u>14,543,535</u>
Change in net position	<u>\$ 372,725</u>	<u>\$ 63,836</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$1,194,211 in contingency (11.6%). The cash balance for the beginning of the fiscal year was \$1,850,671.

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, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 1,890,185	\$ 6,879	\$ 1,897,064
Accounts receivable	353,527	65,700	419,227
Inventories for consumption	-	5,771	5,771
Total current	<u>2,243,712</u>	<u>78,350</u>	<u>2,322,062</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	194,053	-	194,053
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	13,036,039	165,279	13,201,318
Furniture and equipment	1,748,922	345,073	2,093,995
Less: accumulated depreciation	<u>(8,254,219)</u>	<u>(339,272)</u>	<u>(8,593,491)</u>
Total noncurrent	<u>6,824,552</u>	<u>171,080</u>	<u>6,995,632</u>
Total assets	<u>9,068,264</u>	<u>249,430</u>	<u>9,317,694</u>
Deferred outflows	<u>2,255,027</u>	<u>115,101</u>	<u>2,370,128</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	292,568	-	292,568
Accounts payable	141,099	6,401	147,500
Accrued interest	40,642	-	40,642
Current portion of accrued sick leave	13,710	-	13,710
Accrued payroll and related expenses	<u>14,677</u>	<u>-</u>	<u>14,677</u>
Total current	<u>502,696</u>	<u>6,401</u>	<u>509,097</u>
Noncurrent:			
Accrued sick leave	123,386	-	123,386
CERS net pension liability	2,712,425	138,447	2,850,872
MIF net OPEB liability	3,151,222	160,845	3,312,067
Bond obligations	<u>5,067,826</u>	<u>-</u>	<u>5,067,826</u>
Total noncurrent	<u>11,054,859</u>	<u>299,292</u>	<u>11,354,151</u>
Total liabilities	<u>11,557,555</u>	<u>305,693</u>	<u>11,863,248</u>
Deferred inflows	<u>858,422</u>	<u>43,815</u>	<u>902,237</u>
Net Position			
Invested in capital assets, net of related debt	1,464,158	171,080	1,635,238
Restricted	(4,369,768)	(156,057)	(4,525,825)
Unrestricted	<u>1,812,924</u>	<u>-</u>	<u>1,812,924</u>
Total net position	<u>\$ (1,092,686)</u>	<u>\$ 15,023</u>	<u>\$ (1,077,663)</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide Year Ended June 30, 2019

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 3,105,864	\$ -	\$ 1,465,224	\$ -	\$ (1,640,640)	\$ -	\$ (1,640,640)
Student support services	853,421	-	68,775	-	(784,646)	-	(784,646)
Staff support services	698,484	-	80,591	-	(617,893)	-	(617,893)
District administration	555,290	-	-	-	(555,290)	-	(555,290)
School administration	773,651	-	-	-	(773,651)	-	(773,651)
Business support services	493,661	-	78,234	-	(415,427)	-	(415,427)
Plant operation and maintenance	1,112,672	-	55,956	-	(1,056,716)	-	(1,056,716)
Student transportation	156,090	-	4,759	-	(151,331)	-	(151,331)
Food Service	41	-	-	-	(41)	-	(41)
Day Care Operations	8,329	-	-	-	(8,329)	-	(8,329)
Community service operations	140,033	-	136,914	-	(3,119)	-	(3,119)
Facility acquisition and construction	42,302	-	-	472,915	430,613	-	430,613
Interest on long-term debt	184,860	-	-	-	(184,860)	-	(184,860)
Total governmental activities	8,124,697	-	1,890,453	472,915	(5,761,329)	-	(5,761,329)
Business-type activities							
Food service	828,696	45,435	687,612	-	-	(95,649)	(95,649)
Daycare	77,099	67,805	12,946	-	-	3,652	3,652
Total business-type activities	905,795	113,240	700,558	-	-	(91,997)	(91,997)
Total school district	\$ 9,030,492	\$ 113,240	\$ 2,591,011	\$ 472,915	(5,761,329)	(91,997)	(5,853,326)
General revenues:							
Taxes					2,615,600	-	2,615,600
State and federal sources					2,952,430	-	2,952,430
Investment earnings					61,500	1,867	63,367
Miscellaneous					586,579	3,842	590,421
Special items:							
Gain on sale of assets					4,233	-	4,233
Fund transfer					51,440	(51,440)	-
Total general and special revenues					6,271,782	(45,731)	6,226,051
Change in net position					510,453	(137,728)	372,725
Net position - beginning					(1,603,139)	152,751	(1,450,388)
Net position - ending					\$ (1,092,686)	\$ 15,023	\$ (1,077,663)

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (cash overdraft) and cash equivalents	\$ 1,889,691	\$ (96,046)	\$ 96,540	\$ 1,890,185
Accounts receivable	<u>138,314</u>	<u>215,213</u>	<u>-</u>	<u>353,527</u>
Total assets	<u><u>\$ 2,028,005</u></u>	<u><u>\$ 119,167</u></u>	<u><u>\$ 96,540</u></u>	<u><u>\$ 2,243,712</u></u>
Liabilities				
Current:				
Accounts payable	\$ 21,594	\$ 119,167	\$ 338	\$ 141,099
Accrued payroll and related expenses	<u>14,677</u>	<u>-</u>	<u>-</u>	<u>14,677</u>
Total current	<u><u>36,271</u></u>	<u><u>119,167</u></u>	<u><u>338</u></u>	<u><u>155,776</u></u>
Fund Balances				
Restricted:				
Capital projects	-	-	96,202	96,202
Assigned	1,072	-	-	1,072
Unassigned	<u>1,990,662</u>	<u>-</u>	<u>-</u>	<u>1,990,662</u>
Total fund balances	<u><u>1,991,734</u></u>	<u><u>-</u></u>	<u><u>96,202</u></u>	<u><u>2,087,936</u></u>
Total liabilities and fund balances	<u><u>\$ 2,028,005</u></u>	<u><u>\$ 119,167</u></u>	<u><u>\$ 96,540</u></u>	<u><u>\$ 2,243,712</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019**

Total governmental fund balance		\$ 2,087,936
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	15,078,771	
Accumulated depreciation	<u>(8,254,219)</u>	6,824,552
Deferred outflows		
CERS contributions made after the measurement date	274,503	
MIF contributions made after the measurement date	173,068	
Related to CERS	1,456,928	
Related to MIF	<u>350,528</u>	2,255,027
Deferred inflows related to pensions	(507,393)	
Deferred inflows related to MIF	<u>(351,029)</u>	(858,422)
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	(5,360,394)	
Accrued interest on bonds	(40,642)	
Net pension liability	(2,712,425)	
Net OPEB liability	(3,151,222)	
Accrued sick leave	<u>(137,096)</u>	(11,401,779)
Net position for governmental activities		<u><u>\$ (1,092,686)</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,511,395	\$ -	\$ 104,205	\$ 2,615,600
Earnings on investments	61,500	-	-	61,500
State sources	6,417,291	581,723	472,915	7,471,929
Federal sources	69,385	1,158,040	-	1,227,425
Other sources	60,073	150,690	17,846	228,609
	<u>9,119,644</u>	<u>1,890,453</u>	<u>594,966</u>	<u>11,605,063</u>
Total revenues				
Expenditures				
Instructional	4,654,171	1,482,351	17,193	6,153,715
Student support services	782,064	68,775	-	850,839
Staff support services	617,116	80,591	777	698,484
District administration	549,609	-	-	549,609
School administration	773,651	-	-	773,651
Business support services	415,427	78,234	-	493,661
Plant operation and maintenance	853,731	55,956	-	909,687
Student transportation	137,857	4,759	-	142,616
Food service operation	41	-	-	41
Day care operations	8,329	-	-	8,329
Community service operations	3,071	136,914	-	139,985
Facility acquisition and construction	40,855	-	1,447	42,302
Debt service:				
Principal	16,948	-	348,297	365,245
Interest	1,039	-	186,201	187,240
	<u>8,853,909</u>	<u>1,907,580</u>	<u>553,915</u>	<u>11,315,404</u>
Total expenditures				
Excess (deficit) of revenues over expenditures	<u>265,735</u>	<u>(17,127)</u>	<u>41,051</u>	<u>289,659</u>
Other financing sources (uses)				
Proceeds from sale of assets	4,233	-	-	4,233
Operating transfers in	62,095	17,127	379,011	458,233
Operating transfers out	(17,127)	-	(389,666)	(406,793)
	<u>49,201</u>	<u>17,127</u>	<u>(10,655)</u>	<u>55,673</u>
Total other financing sources (uses)				
Net change in fund balance	314,936	-	30,396	345,332
Fund balance, July 1, 2018	<u>1,676,798</u>	<u>-</u>	<u>65,806</u>	<u>1,742,604</u>
Fund balance, June 30, 2019	<u>\$ 1,991,734</u>	<u>\$ -</u>	<u>\$ 96,202</u>	<u>\$ 2,087,936</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities As of June 30, 2019

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

Net changes-governmental funds	\$	345,332
--------------------------------	----	---------

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	(383,325)	
Capital outlays	<u>68,558</u>	
		(314,767)

Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond principal paid	<u>365,245</u>	
		365,245

Deferred outflows related to pensions		296,268
---------------------------------------	--	---------

Deferred outflows related to other post-employment retirement benefits		212,392
--	--	---------

Deferred inflows related to pensions		(106,564)
--------------------------------------	--	-----------

Deferred inflows related to other post-employment retirement benefits		(272,895)
---	--	-----------

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

	<u>(14,558)</u>
--	-----------------

Changes in net position of governmental activities	\$	<u>510,453</u>
--	----	----------------

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2019**

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
Assets			
Current			
Cash (cash overdraft) and cash equivalents	\$ 2,269	\$ 4,610	\$ 6,879
Accounts receivable	65,700	-	65,700
Inventories for consumption	5,771	-	5,771
Total current	<u>73,740</u>	<u>4,610</u>	<u>78,350</u>
Noncurrent			
Buildings and Improvements	117,379	47,900	165,279
Furniture and Fixtures	345,073	-	345,073
Less: accumulated depreciation	<u>(292,809)</u>	<u>(46,463)</u>	<u>(339,272)</u>
Total noncurrent	<u>169,643</u>	<u>1,437</u>	<u>171,080</u>
Total assets	<u>243,383</u>	<u>6,047</u>	<u>249,430</u>
Deferred outflows	<u>115,101</u>	<u>-</u>	<u>115,101</u>
Liabilities and Net Position			
Liabilities			
Current			
Accounts payable	6,401	-	6,401
Total current	<u>6,401</u>	<u>-</u>	<u>6,401</u>
Noncurrent			
MIF net OPEB liability	160,845	-	160,845
CERS net pension liability	138,447	-	138,447
Total noncurrent	<u>299,292</u>	<u>-</u>	<u>299,292</u>
Total liabilities	<u>305,693</u>	<u>-</u>	<u>305,693</u>
Deferred inflows	<u>43,815</u>	<u>-</u>	<u>43,815</u>
Net Position			
Invested in assets, net of debt	169,643	1,437	171,080
Restricted - net position	<u>(160,667)</u>	<u>4,610</u>	<u>(156,057)</u>
Total net position	<u>\$ 8,976</u>	<u>\$ 6,047</u>	<u>\$ 15,023</u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2019**

	Food Service	Daycare Fund	Total
Operating revenues			
Lunchroom sales	\$ 45,435	\$ -	\$ 45,435
Other operating revenues	3,842	67,805	71,647
Total operating revenues	<u>49,277</u>	<u>67,805</u>	<u>117,082</u>
Operating expenses			
Salaries and benefits	469,029	-	469,029
Contract services	31,916	75,367	107,283
Materials and supplies	307,398	774	308,172
Depreciation	20,259	958	21,217
Other operating expenses	94	-	94
Total operating expenses	<u>828,696</u>	<u>77,099</u>	<u>905,795</u>
Operating loss	<u>(779,419)</u>	<u>(9,294)</u>	<u>(788,713)</u>
Nonoperating revenues (expenses)			
Federal grants	574,627	-	574,627
State grants	78,136	12,946	91,082
Donated commodities and other donations	34,849	-	34,849
Transfers	(51,440)	-	(51,440)
Interest income	1,867	-	1,867
Total nonoperating revenues	<u>638,039</u>	<u>12,946</u>	<u>650,985</u>
Net change in fund balance	(141,380)	3,652	(137,728)
Total net position, July 1, 2018	<u>150,356</u>	<u>2,395</u>	<u>152,751</u>
Total net position, June 30, 2019	<u><u>\$ 8,976</u></u>	<u><u>\$ 6,047</u></u>	<u><u>\$ 15,023</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2019**

	Food Service Fund	Daycare Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 45,435	\$ -	\$ 45,435
Cash received from other activities	(58,350)	67,805	9,455
Cash payments to employees for services	(438,898)	-	(438,898)
Cash payments to suppliers for goods and services	(336,579)	(75,926)	(412,505)
Cash transfers	(51,440)	-	(51,440)
Net cash used in operating activities	<u>(839,832)</u>	<u>(8,121)</u>	<u>(847,953)</u>
Cash flows from capital financing activities			
Proceeds of sales of capital assets	-	-	-
Purchase of capital assets	<u>(45,323)</u>	<u>-</u>	<u>(45,323)</u>
Net cash used in capital financing activities	<u>(45,323)</u>	<u>-</u>	<u>(45,323)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>687,612</u>	<u>12,946</u>	<u>700,558</u>
Net cash provided by noncapital financing activities	<u>687,612</u>	<u>12,946</u>	<u>700,558</u>
Cash flows from investing activities			
Interest on investments	<u>1,867</u>	<u>-</u>	<u>1,867</u>
Net cash flows provided by investing activities	<u>1,867</u>	<u>-</u>	<u>1,867</u>
Net increase (decrease) in cash and cash equivalents	(195,676)	4,825	(190,851)
Cash (cash overdraft) and cash equivalents - beginning	<u>197,946</u>	<u>(215)</u>	<u>197,731</u>
Cash and cash equivalents - ending	<u><u>\$ 2,270</u></u>	<u><u>\$ 4,610</u></u>	<u><u>\$ 6,880</u></u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (779,419)	\$ (9,294)	\$ (788,713)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	20,259	958	21,217
Transfers	(51,440)	-	(51,440)
Changes in assets and liabilities:			
Increase in deferred outflows	(37,972)	-	(37,972)
Increase in deferred inflows	23,260	-	23,260
Increase in CERS net pension liability	27,490	-	27,490
Increase in CERS net OPEB liability	17,353	-	17,353
Decrease in accounts payable	2,829	-	2,829
Decrease (increase) in accounts receivable	(62,192)	215	(61,977)
Increase in inventories	-	-	-
Net cash used in operating activities	<u><u>\$ (839,832)</u></u>	<u><u>\$ (8,121)</u></u>	<u><u>\$ (847,953)</u></u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 34,849</u>	<u>\$ -</u>	<u>\$ 34,849</u>
On-behalf payments	<u><u>\$ 73,039</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,039</u></u>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2019**

	School Activity Funds	Total
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 145,945	\$ 145,945
	<hr/>	<hr/>
Total assets	\$ 145,945	\$ 145,945
	<hr/>	<hr/>
Liabilities		
Due to student groups	\$ 145,945	\$ 145,945
	<hr/>	<hr/>
Total liabilities	\$ 145,945	\$ 145,945
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 70. This is a major fund of the District.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

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

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

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

Taxes

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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.

Capital Assets

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

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

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

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

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

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

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

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

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

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

Net Position

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

Operating Revenues and Expenses

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

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers Retirement System of the State of Kentucky (TRS) 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, 2019 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Land	\$ 164,025	\$ 30,028	\$ -	\$ 194,053
Land improvements	99,757	-	-	99,757
Buildings and improvements	13,036,039	-	-	13,036,039
Technology equipment	937,381	18,788	-	956,169
Vehicles	482,685	-	-	482,685
General equipment	290,326	19,742	-	310,068
Construction work in progress	-	-	-	-
Totals at historical cost	15,010,213	68,558	-	15,078,771
Less: accumulated depreciation				
Land improvements	83,183	2,369	-	85,552
Buildings and improvements	6,370,117	345,239	-	6,715,356
Technology equipment	785,657	8,013	-	793,670
Vehicles	440,271	13,474	-	453,745
General equipment	191,666	14,230	-	205,896
Total accumulated depreciation	7,870,894	383,325	-	8,254,219
Governmental activities capital assets - net	<u>\$ 7,139,319</u>	<u>\$ (314,767)</u>	<u>\$ -</u>	<u>\$ 6,824,552</u>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Vehicles	4,000	-	-	4,000
Technology equipment	9,332	-	-	9,332
General equipment	286,418	45,323	-	331,741
Totals at historical cost	465,029	45,323	-	510,352
Less: accumulated depreciation				
Buildings and improvements	128,846	3,306	-	132,152
Vehicles	4,000	-	-	4,000
Technology equipment	9,332	-	-	9,332
General equipment	175,877	17,911	-	193,788
Total accumulated depreciation	318,055	21,217	-	339,272
Business - type activities capital assets - net	<u>\$ 146,974</u>	<u>\$ 24,106</u>	<u>\$ -</u>	<u>\$ 171,080</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 158,555	\$ -
Student support services	2,582	-
District administration	5,681	-
Plant operation and maintenance	202,985	-
Student transportation	13,474	-
Community services	48	-
Food service	-	20,260
Daycare	-	958
	<hr/>	<hr/>
Total	<u>\$ 383,325</u>	<u>\$ 21,218</u>

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019 this amount totaled approximately \$137,096 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, 2019.

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

Year Ending <u>June 30,</u>	
2019-2020	\$ 27,960
2020-2021	27,960
2021-2022	27,960
2022-2023	27,960
2023-2024	<u>27,960</u>
Total minimum payments	\$ 139,800
Less amount representing interest	<u>-</u>
Present value of net minimum lease payments	<u><u>\$ 139,800</u></u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 7 BONDED DEBT

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

Issue Date	Proceeds	Rates
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, 2019 for debt service (principal and interest) are reported in Note 15.

NOTE 8 CONTINGENCIES

Grant Fund Approval

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

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.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

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 utilizes a private company for workers compensation insurance. The District reimburses the state for any claims paid. The District utilizes the Kentucky School Boards Insurance Trust for unemployment insurance. 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:

District Activity Fund	\$	124
Dayton High School		883
Construction Fund		1,447
Food Service		141,380

NOTE 12 COBRA

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

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 13 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 17,127
Capital Outlay Fund	Debt Service Fund	Debt Service	38,931
Capital Outlay Fund	General Fund	Operating	10,655
Building Fund	Debt Service Fund	Debt Service	340,080
Food Service Fund	General Fund	Indirect Cost Transfer	51,440

NOTE 14 ON-BEHALF PAYMENTS

For the year ended June 30, 2019 total payments of \$2,536,664 were made for life insurance, health insurance, TRS 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.

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
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%

DAYTON INDEPENDENT SCHOOL DISTRICT

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

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			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
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
	\$ 4,469,787	\$ 1,316,263	\$ 5,786,050	\$ 890,607	\$ 228,643	\$ 1,119,250	\$ 6,905,300

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, 2019 is as follows:

Governmental Activities	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Bond Obligations	<u>\$ 5,725,639</u>		<u>\$ 365,245</u>	<u>\$ 5,360,394</u>
Sick Leave Liability	<u>\$ 54,707</u>	<u>\$ 85,919</u>	<u>\$ 3,530</u>	<u>\$ 137,096</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 16 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

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 Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly average rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

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

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

The contribution requirement for CERS for the year ended June 30, 2019, was \$357,940, which consisted of \$288,514 from the District and \$69,426 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$302,900 and \$270,755, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

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. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided

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

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS 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 TRS. The contribution requirement for TRS for the year ended June 30, 2019, was \$842,872, which consisted of \$231,111 from the District and \$611,761 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$834,558 and \$814,692, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. 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.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS 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 TRS 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.

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

At June 30, 2019, 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 TRS because the Commonwealth of Kentucky provides the pension support directly to TRS 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	\$ 2,850,872
Commonwealth's proportionate share of the TRS net pension liability associated with the District	18,310,857
	<u>\$ 21,161,729</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

The net pension liability for each plan was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.046810% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$269,689 related to CERS. The District also recognized a reduction of expense of \$3,538,972 and a reduction of revenue of \$3,538,972 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2019, 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	\$ 108,099	\$ 96,489
Net difference between projected and actual earnings on pension plan investments	579,643	343,313
Changes of Assumptions	681,540	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	162,009	93,489
District contributions subsequent to the measurement date	288,514	-
Total	<u>\$ 1,819,806</u>	<u>\$ 533,291</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

\$288,514 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, 2020. 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:		
2020	\$	252,878
2021		285,278
2022		224,909
2023		166,492
2024		68,444

Actuarial assumptions

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

	CERS	TRS
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 TRS, 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 BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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.

For TRS, 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 TRS's and CER's investment consultant, are summarized in the following table:

Asset Class	TRS Target Allocation	TRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	40.0%	4.20%		
US large cap			5.0%	4.50%
US mid cap			6.0%	4.50%
US small cap			6.5%	5.50%
International developed			12.5%	6.50%
Emerging markets			5.0%	7.25%
International Equity	22.0%	5.20%		
Global bonds			4.0%	3.00%
Global credit			2.0%	3.75%
Emerging market debt			5.0%	6.00%
Private equity	7.0%	6.30%	10.0%	6.50%
High yield			7.0%	5.50%
Illiquid private			10.0%	8.50%
Fixed income	15.0%	1.20%		
Additional categories	8.0%	3.30%	10.0%	7.00%
Real estate	6.0%	3.80%	5.0%	9.00%
Absolute return			10.0%	5.00%
Cash	2.0%	0.90%	2.0%	1.50%
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.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 16 RETIREMENT PLANS (CONTINUED)

Discount rate (continued)

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95%, for all fiscal years in the future. 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS and TRS 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	3,588,952	2,850,872	2,232,489
TRS	6.50%	7.50%	8.50%
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 TRS.

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 Statutes 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/administration/financial-reports-information>.

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

General information about the Teachers' Retirement System OPEB Plan

Plan description

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.

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 (MIF) 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.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 17 OPEB PLANS (CONTINUED)

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 <https://trs.ky.gov/administration/financial-reports-information/>.

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, 2019, the Dayton Independent School District reported a liability of \$3,312,067 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, 2018, 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, 2018, the District's proportion was 0.133130 percent for TRS and 0.046808 percent for CERS, which was the same as its proportion measured as of June 30, 2017.

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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	\$ 831,067
District's proportionate share of the TRS net OPEB liability	2,481,000
State's proportionate share of the net OPEB liability associated with the District	<u>2,138,000</u>
	<u><u>\$ 5,450,067</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$415,888 and revenue of \$109,771 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual performance	\$ -	\$ 225,908
Net difference between projected and actual earnings on OPEB plan investments	34,000	128,658
Change of Assumptions	327,187	1,920
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,233	12,460
District contributions subsequent to the measurement date	<u>181,902</u>	<u>-</u>
Total	<u><u>\$ 550,322</u></u>	<u><u>\$ 368,946</u></u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 17 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$181,902 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, 2020. 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:		
2020	\$	4,696
2021		4,696
2022		4,696
2023		4,696
2024		(19,309)

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.	7.5%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	3.25%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024	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 2018 decreasing to an ultimate rate of 5.00% by FY 2021	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	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030	
Municipal Bond Index Rate	3.89%	3.62%
Discount Rate	8.00%	5.85%
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.

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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.

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	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories*	20.0%	3.3%
Cash (LIBOR)	1.0%	0.9%
Total	<u>100.0%</u>	

**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 5.85%. 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.

DAYTON INDEPENDENT SCHOOL DISTRICT

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

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS			
Districts' net OPEB liability	\$ 2,909,000	\$ 2,481,000	\$ 2,124,000
	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
CERS			
Districts' net OPEB liability	\$ 1,079,422	\$ 831,067	\$ 619,513

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
Districts' net OPEB liability	\$ 2,057,000	\$ 2,481,000	\$ 3,004,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 618,737	\$ 831,067	\$ 1,081,342

OPEB plan fiduciary net position

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

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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.

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 funded by the Life Insurance Fund (LIF) 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, 2019, 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	37,000
	<u>\$ 37,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$-0- and revenue of \$1,274 for support provided by the State.

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

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:

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	3.89%
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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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.

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	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

* 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

DAYTON INDEPENDENT SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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	\$ -	\$ -	\$ -
<i>OPEB plan fiduciary net position</i>			

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

NOTE 18 SUBSEQUENT EVENTS

As of July 9, 2019, the District were issued bond proceeds of \$990,000 for its Series 2019 Energy Conservation Revenue Bonds. Interest on the bonds will be accrued at interest rates between 1.8% to 3.1% semiannually and payable each June 1 and December 1 beginning June 1, 2020. The principal payments are due on annual basis until June 1, 2039.

On October 29, 2019, the District approved a one-time raise of \$500 for all full-time employees and \$250 for part-time employees. There was also a pay increase of \$1,000 on the salary schedule for all certified teachers with years' experience 0-3 and 19-29.

Subsequent events were considered through October 30, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

DAYTON INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ 104,205	\$ -	\$ -	\$ -	\$ 104,205
State sources	81,553	235,875	-	155,487	-	472,915
Other sources	-	-	-	-	17,846	17,846
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,846</u>	<u>17,846</u>
Total revenues	<u>81,553</u>	<u>340,080</u>	<u>-</u>	<u>155,487</u>	<u>17,846</u>	<u>594,966</u>
Expenditures:						
Instructional	-	-	-	-	17,193	17,193
Staff support services	-	-	-	-	777	777
Facility acquisition and construction	-	-	1,447	-	-	1,447
Debt service:						
Principal	-	-	-	348,297	-	348,297
Interest	-	-	-	186,201	-	186,201
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,201</u>	<u>-</u>	<u>186,201</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>1,447</u>	<u>534,498</u>	<u>17,970</u>	<u>553,915</u>
Excess (deficit) of revenues over expenditures	<u>81,553</u>	<u>340,080</u>	<u>(1,447)</u>	<u>(379,011)</u>	<u>(124)</u>	<u>41,051</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	379,011	-	379,011
Operating transfers out	(49,586)	(340,080)	-	-	-	(389,666)
	<u>(49,586)</u>	<u>(340,080)</u>	<u>-</u>	<u>379,011</u>	<u>-</u>	<u>(10,655)</u>
Total other financing sources(uses)	<u>(49,586)</u>	<u>(340,080)</u>	<u>-</u>	<u>379,011</u>	<u>-</u>	<u>(10,655)</u>
Net change in fund balance	31,967	-	(1,447)	-	(124)	30,396
Fund balance, June 30, 2018	<u>-</u>	<u>-</u>	<u>24,935</u>	<u>-</u>	<u>40,871</u>	<u>65,806</u>
Fund balance, June 30, 2019	<u>\$ 31,967</u>	<u>\$ -</u>	<u>\$ 23,488</u>	<u>\$ -</u>	<u>\$ 40,747</u>	<u>\$ 96,202</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Combining Statements of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2019**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ 104,205	\$ -	\$ -	\$ -	\$ 104,205
State sources	81,553	235,875	-	155,487	-	472,915
Other sources	-	-	-	-	17,846	17,846
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,846</u>	<u>17,846</u>
Total revenues	<u>81,553</u>	<u>340,080</u>	<u>-</u>	<u>155,487</u>	<u>17,846</u>	<u>594,966</u>
Expenditures:						
Instructional	-	-	-	-	17,193	17,193
Staff support services	-	-	-	-	777	777
Facility acquisition and construction	-	-	1,447	-	-	1,447
Debt service:						
Principal	-	-	-	348,297	-	348,297
Interest	-	-	-	186,201	-	186,201
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,201</u>	<u>-</u>	<u>186,201</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>1,447</u>	<u>534,498</u>	<u>17,970</u>	<u>553,915</u>
Excess (deficit) of revenues over expenditures	<u>81,553</u>	<u>340,080</u>	<u>(1,447)</u>	<u>(379,011)</u>	<u>(124)</u>	<u>41,051</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	379,011	-	379,011
Operating transfers out	(49,586)	(340,080)	-	-	-	(389,666)
	<u>(49,586)</u>	<u>(340,080)</u>	<u>-</u>	<u>379,011</u>	<u>-</u>	<u>(10,655)</u>
Total other financing sources(uses)	<u>(49,586)</u>	<u>(340,080)</u>	<u>-</u>	<u>379,011</u>	<u>-</u>	<u>(10,655)</u>
Net change in fund balance	31,967	-	(1,447)	-	(124)	30,396
Fund balance, June 30, 2018	<u>-</u>	<u>-</u>	<u>24,935</u>	<u>-</u>	<u>40,871</u>	<u>65,806</u>
Fund balance, June 30, 2019	<u>\$ 31,967</u>	<u>\$ -</u>	<u>\$ 23,488</u>	<u>\$ -</u>	<u>\$ 40,747</u>	<u>\$ 96,202</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 2,170,015	\$ 2,170,015	\$ 2,511,395	\$ 341,380
Earnings on investments	10,000	10,000	61,500	51,500
State sources	6,387,048	6,387,048	6,417,291	30,243
Federal sources	12,000	12,000	69,385	57,385
Other sources	74,400	74,400	126,401	52,001
	<u>8,653,463</u>	<u>8,653,463</u>	<u>9,185,972</u>	<u>532,509</u>
Total revenues				
Expenditures				
Instructional	4,855,780	4,858,021	4,654,171	203,850
Student support services	732,797	732,797	782,064	(49,267)
Staff support services	540,504	538,263	617,116	(78,853)
District administration	571,897	561,897	549,609	12,288
School administration	764,773	764,773	773,651	(8,878)
Business support services	455,828	455,828	415,427	40,401
Plant operation and maintenance	941,694	951,694	853,731	97,963
Student transportation	149,291	149,291	137,857	11,434
Central office	-	-	-	-
Food service operation	3,000	3,000	41	2,959
Day Care Operations	7,350	7,350	8,329	
Community service operations	10,591	10,591	3,071	7,520
Facility acquisition and construction	41,078	41,078	40,855	223
Debt service:				
Principal	17,987	17,987	16,948	1,039
Interest	-	-	1,039	(1,039)
Other	1,211,732	1,211,732	17,127	1,194,605
	<u>10,304,302</u>	<u>10,304,302</u>	<u>8,871,036</u>	<u>1,434,245</u>
Total expenditures				
Net change in fund balance	(1,650,839)	(1,650,839)	314,936	1,966,754
Fund balance, July 1, 2018	1,650,839	1,536,939	1,676,798	139,859
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ (113,900)</u>	<u>\$ 1,991,734</u>	<u>\$ 2,106,613</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 454,295	\$ 1,018,939	\$ 581,723	\$ (437,216)
Federal sources	902,160	1,936,022	1,158,040	(777,982)
Other sources	17,521	45,718	167,817	122,099
	<u>1,373,976</u>	<u>3,000,679</u>	<u>1,907,580</u>	<u>(1,093,099)</u>
Expenditures				
Instructional	1,055,050	2,386,675	1,482,351	904,324
Student support services	93,643	165,549	68,775	96,774
Staff support services	39,016	82,476	80,591	1,885
Business support services	42,942	78,942	78,234	708
Plant operation and maintenance	6,400	6,400	55,956	(49,556)
Student transportation	-	5,131	4,759	372
Community service operations	136,925	275,506	136,914	138,592
	<u>1,373,976</u>	<u>3,000,679</u>	<u>1,907,580</u>	<u>1,093,099</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
Year Ended June 30, 2019**

	<u>Issue of 2009R</u>	<u>Issue of 2009</u>	<u>Issue of 2009 KISTA</u>	<u>Issue of 2011</u>	<u>Issue of 2011 KISTA</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	160,425	159,685	21,691	54,462	9,809
Disbursements:					
Bonds paid	155,000	100,000	21,344	20,000	8,901
Interest coupons	5,425	59,685	347	34,462	908
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	160,425	159,685	21,691	54,462	9,809
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2019	-	-	-	-	-
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, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2013</u>	<u>Issue of 2016</u>	<u>Total</u>		
Cash at July 1, 2018	\$ -	\$ -	\$ -		
Receipts:					
Transfers and miscellaneous deposits	59,063	87,350	552,485		
Disbursements:					
Bonds paid	20,000	40,000	365,245		
Interest coupons	39,063	47,350	187,240		
Transfers and miscellaneous	-	-	-		
Call fee	-	-	-		
Total disbursements	59,063	87,350	552,485		
Excess of receipts over disbursements	-	-	-		
Cash at June 30, 2019	-	-	-		
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, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
3D printer club	\$ 337	\$ -	\$ -	\$ 337
7th grade account	353	-	70	283
8th grade account	233	-	72	161
Academic Team	123	-	-	123
After Prom	361	3,000	3,170	191
Agendas	-	487	487	-
Alumni Association	74	3,160	2,472	762
Angie Buschles community based account	669	2,895	1,871	1,693
Annual Yearbook	291	889	543	637
Art club	717	983	1,315	385
Art department	-	300	300	-
Athletic Booster club	11,782	25,233	28,894	8,121
Athletic facilities	-	2,850	-	2,850
Athletic fundraiser transportation	3,250	1,217	-	4,467
Athletics	21,807	4,791	11,118	15,480
Band	916	1,514	993	1,437
Band boosters	-	10,404	8,067	2,337
Band fundraiser transportation	53	-	-	53
Barry Binkley Benches	2,800	-	2,800	-
Baseball	-	1,524	1,524	-
Baseball fundraiser	1,072	3,175	2,140	2,107
Bowling	-	583	583	-
Bowling fundraiser	330	146	22	454
Boys basketball	-	8,084	8,084	-
Boys basketball fundraiser	3,879	9,308	11,623	1,564
Boys cross county	-	257	257	-
Boys track	-	3,794	3,794	-
C.A.K.E.	7,247	1,207	-	8,454
Cheerleading	-	66	66	-
Cheerleading fundraiser	705	1,789	378	2,116
Class of 2017	70	-	60	10
Class of 2018	1,792	-	1,717	75
Class of 2019	2,005	-	1,395	610
Class of 2020	2,209	6,727	6,782	2,154
Class of 2021	315	2,608	1,060	1,863
Class of 2022	-	991	898	93
Coke	2,997	2,389	1,168	4,218
Color/Winter guard	17	-	-	17
Cross country fundraiser	1,375	50	-	1,425
DECA	111	-	111	-
Drama	51	1,021	537	535
E sports	-	2,254	2,254	-
E sports misc	-	100	-	100
Edmentum	-	1,570	1,570	-
FBLA	85	2,101	1,950	236
Fellowship of Christian athletes	9	-	-	9

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2019
(Continued)**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Fellowship of Christian students	-	82	45	37
Football	-	12,307	12,307	-
Football fundraiser	5,482	2,523	7,488	517
Future educators association	25	33	35	23
Girls basketball	-	6,990	6,990	-
Girls basketball fundraiser	2,500	9,056	10,765	791
Girls cross country	-	282	282	-
Girls soccer	-	2,585	2,585	-
Girls track	-	3,628	3,628	-
Golf outing	-	9,520	9,020	500
Green zone	164	-	-	164
Guidance department	257	-	25	232
High school field trips	632	1,026	962	696
High school student council	167	51	123	95
Library	699	1,227	260	1,666
Math department	-	15	15	-
Middle school cheerleading	-	33	33	-
Middle school cheerleading fundraiser	325	606	562	369
Middle school dance	2,144	-	400	1,744
Middle school field trips	667	1,963	1,922	708
Middle school girls basketball fundraiser	1,022	-	1,021	1
Middle school holiday basketball tournament	-	21,027	20,327	700
Middle school robotics	300	203	102	401
Middle school science club	880	-	376	504
Middle school student council	131	251	-	382
National honor society	293	425	234	484
National Jr. honor society	565	1,219	941	843
Practical living	-	150	136	14
Principals account	9,795	7,718	5,057	12,456
Regional volleyball tournament	-	5,674	5,674	-
River City classic volleyball tournament	-	250	250	-
Scholarships	15,935	8,155	10,350	13,740
Science department	-	80	80	-
Senior banquet	651	500	536	615
Senior trip	1,720	1,000	-	2,720
Soccer fundraiser	1,656	190	1,551	295
Softball	-	2,628	2,628	-
Softball fundraiser	2,279	4,285	3,261	3,303
Staff flower fund	200	-	-	200
Student devices	-	4,379	-	4,379
Student/teacher incentives	327	1,356	568	1,115
Track fundraiser	520	3,633	3,145	1,008

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2019
(Continued)**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Transcript fees	1,039	203	200	1,042
Volleyball	-	2,299	2,299	-
Volleyball fundraiser	4,170	4,459	5,161	3,468
Washington D.C. trip	2,457	-	-	2,457
Weight room	-	-	-	-
Youth league basketball	-	28,014	28,014	-
Youth service center	4,154	2,028	900	5,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 129,191</u>	<u>\$ 259,520</u>	<u>\$ 260,403</u>	<u>\$ 128,308</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
Year Ended June 30, 2019**

	<u>Lincoln Elementary</u>	<u>Total</u>
Fund balances at July 1, 2018	\$ 15,571	\$ 15,571
Add: receipts	86,854	86,854
Less: disbursements	<u>(84,788)</u>	<u>(84,788)</u>
Fund balance at June 30, 2019	<u>\$ 17,637</u>	<u>\$ 17,637</u>

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - TRS Year Ended June 30, 2019

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0%	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	18,310,857	37,116,653	40,720,474	30,776,138	29,749,812	*	*	*	*	*
Total	<u>\$ 18,310,857</u>	<u>\$ 37,116,653</u>	<u>\$ 40,720,474</u>	<u>\$ 30,776,138</u>	<u>\$ 29,749,812</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
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	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.27%	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 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

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. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

DAYTON INDEPENDENT SCHOOL DISTRICT

**Schedule of District Contributions - TRS
Year Ended June 30, 2019**

	Last 10 Fiscal Years*									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 231,111	\$ 217,120	\$ 214,496	\$ 209,888	\$ 193,387	\$ 145,458	\$ 116,304	\$ 99,188	*	*
Contributions in relation to the contractually required contribution	<u>(231,111)</u>	<u>(217,120)</u>	<u>(214,496)</u>	<u>(209,888)</u>	<u>(193,387)</u>	<u>(145,458)</u>	<u>(116,304)</u>	<u>(99,188)</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 4,759,401	\$ 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	4.86%	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, 2019

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of net pension liability	0.046810%	0.046067%	0.044263%	0.047081%	0.044647%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 2,850,872	\$ 2,696,443	\$ 2,179,334	\$ 2,024,238	\$ 1,449,000	*	*	*	*	*
Total net pension liability	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*	*
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	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.3%	240.1%	205.5%	192.3%	142.3%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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 assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For disabled members, the RP-2000 Combined Disability Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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, 2019**

	Last 10 Fiscal Years*									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 288,514	\$ 238,509	\$ 209,010	\$ 180,927	\$ 185,267	\$ 203,855	\$ 212,912	\$ 204,976	*	*
Contributions in relation to the contractually required contribution	<u>(288,514)</u>	<u>(238,509)</u>	<u>(209,010)</u>	<u>(180,927)</u>	<u>(185,267)</u>	<u>(203,855)</u>	<u>(212,912)</u>	<u>(204,976)</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 1,343,179	\$ 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	21.48%	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, 2019

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0%	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	37,000	28,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 37,000	\$ 28,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,803,543	\$ 4,670,750	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	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, 2018:

Valuation date	June 30, 2015
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	3.50%
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, 2019**

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ -	\$ -	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,759,401	\$ 4,803,543	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	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, 2019

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.017760%	0.071819%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 2,481,000	\$ 2,561,000	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 2,138,000	\$ 2,092,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 4,619,000	\$ 4,653,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,759,401	\$ 4,803,543	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	52.1%	53.3%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	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, 2018:

Valuation date	June 30, 2017
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 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
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, 2019

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 127,374	\$ 123,045	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(127,374)	(123,045)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,759,401	\$ 4,803,543	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	2.68%	2.56%	*	*	*	*	*	*	*	*

* 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, 2018:

Valuation date	June 30, 2017
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 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
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, 2019

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.046808%	0.046067%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 831,067	\$ 926,104	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 831,067	\$ 926,104	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 1,243,533	\$ 1,123,109	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	66.8%	82.5%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	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, 2019

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 54,528	\$ 53,053	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(54,528)</u>	<u>(53,053)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 1,343,179	\$ 1,243,533	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.06%	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, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2019
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 18	2,614
Special Education_Grants to States	84.027	3810002 19	277,337
Special Education_Preschool Grants	84.173	3800002 18	1,772
Special Education_Preschool Grants	84.173	3800002 19	32,382
Total Special Education Cluster			314,105
Title I Grants to Local Educational Agencies	84.010	3100002 18	34,121
Title I Grants to Local Educational Agencies	84.010	3100002 19	394,042
Title I School Improvement	84.010A	3100202 18	16,213
Title I School Improvement (summer novice)	84.377A	3100202 17	210,254
Total CFDA # 84.010			654,630
Title II Improving Teacher Quality State Grants	84.367	3230002 18	6,436
Title II Improving Teacher Quality State Grants	84.367	3230002 19	45,660
Total CFDA # 84.367			52,096
McKinney Vento Homeless Grant	84.196A	3990002-18	69,749
River Country Readers Grant (IAL)	84.215G	S215G180045	58,836
Title IV, Part A Student Support and Academic Enrichment	84.424A	3420002 18	1,666
Title IV, Part A Student Support and Academic Enrichment	84.424A	3420002 19	4,025
Total CFDA # 84.424A			5,691
<i>Passed through the Walton-Verona Independent School District</i>			
Career and technical Education -Basic Grants to States	84.048	3710002-18	2,933
Total U.S. Department of Education			1,158,040
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 18	67,780
National School Lunch Program	10.555	7750002 19	326,717
School Breakfast Program	10.553	7760005 18	18,926
School Breakfast Program	10.553	7760005 19	84,265
Summer Food Program	10.559	7690024 18	733
Summer Food Program	10.559	7740023 18	4,015
Summer Food Program	10.559	7740023 19	9,993
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4000814	34,849
Total Child Nutrition Cluster			547,278
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program - CACFP	10.558	7790021 18	3,661
National School Lunch Program - CACFP	10.558	7790021 19	54,833
National School Lunch Program - CACFP	10.558	7800016 18	260
National School Lunch Program - CACFP	10.558	7800016 19	3,893
Total CFDA # 10.558			62,647
Total U.S. Department of Agriculture			609,925
Total Expenditures of Federal Awards			\$ 1,767,965

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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, 2019, 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, 2019, the District reported food commodities expended in the amount of \$34,849.

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, 2019.

**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, 2019, 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 October 30, 2019.

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 79 to 80 of the audited financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Purpose of this Report

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

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

Crestview Hills, Kentucky
October 30, 2019

**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, 2019. 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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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



Crestview Hills, Kentucky
October 30, 2019

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

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, 2019

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2019, 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 October 30, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 30, 2019, 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, 2019**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

None matters are reportable

ACTIVITY FUNDS

Dayton Independent High School

No matters are reportable

Lincoln Elementary

No matters are reportable

.